

JPRS-UIA-90-007  
27 APRIL 1990



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# ***JPRS Report***

## **Soviet Union**

### ***International Affairs***

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U.S. DEPARTMENT OF COMMERCE  
NATIONAL TECHNICAL INFORMATION SERVICE  
SPRINGFIELD, VA. 22161

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19980128 151

# Soviet Union International Affairs

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**MFA's Reshetov on Humanitarian Cooperation, Human Rights**

90UI0448A Moscow *TRUD* in Russian 15 Mar 90 p 3

[Interview with Yuriy Aleksandrovich Reshetov, chief of the MFA Administration for Humanitarian Cooperation and Human Rights, by *TRUD* correspondent S. Panikratov: "The Advancement of Human Rights"]

**[Text] It was only a short time ago that any attempt to analyze objectively the real situation in the field of human rights would be interpreted in no other way than as an attempt to blacken our reputation. And although among the accusations made against us, many even today are ill-thought-out and tendentious, on the whole, no one can deny the fact that, while making declarations concerning the freedom of the individual, there have existed among us finely tuned mechanisms for its suppression. How did this come about? At what moment in our history did we withdraw from acknowledging universal human values? Below, *TRUD* correspondent S. Panikratov discusses this topic with Yu. A. Reshetov, chief of the Administration for Humanitarian Cooperation and Human Rights in the Ministry of Foreign Affairs (MFA).**

[S. Panikratov] Yuriy Aleksandrovich, today when the subject of human rights is being broadly discussed, it is not unusual to hear the opinion that errors were made in this respect even in the early years of Soviet power.

[Yu. A. Reshetov] I am not going to censure anyone who makes such an assertion. Even the experts, of course, are not always aware of our historical legacy in the area of human rights. Let me cite an example. This issue of optional non-military service was under discussion at an international meeting. The members of the Soviet delegation were earnestly explaining to the Americans that U.S. citizens had a right to choose between military service in the nightmare of the war in Vietnam and some alternative form of service. Suddenly, a representative from the Netherlands started to read an excerpt from documents affirming that the Soviet people had a similar right. Our Soviet delegates forthwith denied this in the spirit of the period of stagnation, but in doing so made fools of themselves. It turned out that the Dutch representative was quoting Lenin. The fact is that the practice of exempting persons with deep religious convictions from military service existed in our country right up to World War II. Later, these legal provisions disappeared, along with a good deal else about which Soviet citizens today simply have no conception.

Who knows, for example, that almost immediately following the period of civil war a decree was issued abolishing capital punishment? Investigations at that time were in the form of judicial inquiries under the jurisdiction of the People's Courts. Only with their acquiescence, for example, could a person be put in a mental hospital, and doctors could be held criminally responsible for committing a healthy individual. Attitudes about foreign travel were extremely liberal. I think that just these few examples will serve to indicate that in

the early years of Soviet construction our country had clear-cut priorities in the area of human rights.

[S. Panikratov] Then when was it that we lost them?

[Yu. A. Reshetov] The turning point, apparently, was at that point when the members of the Central Committee gave their support to Stalin on the issue of extraordinary measures. It was at that time that the scene was set for the drama that was to unfold at the end of the 1920's and during the period from 1937 to 1938. The introduction of extraordinary measures into the system of government led to the hypertrophy of the functions of the executive and punitive bodies, which in turn led unavoidably to the suppression of dissent of any kind and the stifling of individual freedom. I am not going to dwell in detail on instances of Stalinist repressions—these are known to everyone. For our purposes the most important thing to consider is that the hypocrisy of the leader, elevated to the level of state policy, had a corrupting influence on the entire apparatus of the state, and on the diplomatic corps in particular. The practice of a double-minded approach to things—saying one thing while doing another—became an integral part of our foreign policy. In the area of humanitarian cooperation, it became particularly deeply rooted.

Everywhere and under all conditions we proclaimed that our legal system was the most perfected, guaranteeing the individual every human right and form of freedom. Moreover, in subscribing to the specific terms of one form of international agreement or another, we would declare that ratification of it in no way entailed any alteration of our own domestic legislation. While acknowledging in so many words the predominant role of international sanctions, as contained in the ratified documents, over national sanctions, in practice, we not only did not place them first but often acted in a manner that was directly opposed to them.

[S. Panikratov] But it became increasingly difficult to do this with the increasing number of international contacts, did it not?

[Yu. A. Reshetov] Yes. By the 1970's it was becoming increasingly clear to the top leadership that such a double standard could not exist for long. While holding others to the most progressive standards of conduct, we began to encounter a "boomerang effect." At the time that the international accords were being worked out on human rights, for example, it was the socialist countries that insisted on including a provision on the right to strike. At the time, however, the Soviet side assumed that this stipulation pertained to "them—not us." Then when the time came to ratify the agreements in 1973, it was precisely this proviso assuring the right to strike that threw our government apparatus into the greatest confusion.

Or take another provision of the agreements—regarding the right to life. We had a short-sighted view of it. To us it referred to the struggle for universal disarmament and the preservation of peace throughout the world. But in

terms of international law it referred primarily to the abolition of capital punishment. Meanwhile, to this day we keep all figures with respect to the most extreme form of punishment a secret, although we are signatories to these agreements.

In addition to such obvious examples of incongruity between our internal legal system and the body of international law, it is possible to cite a mass of other legal provisions that we fulfill, or so it seems to everyone, in a creditable manner. Just take the area of social and economic rights. From school days we have known that each Soviet citizen has the right to work. And we have taken genuine pride in the fact that we have no unemployment. But upon closer examination of this right in the international meaning of the word, it immediately becomes apparent that it refers not only to the opportunity to be permanently employed but to receive a fair remuneration for one's labor, to achieve an adequate standard of living, to have the right to strike, and a good deal else that a Soviet citizen does not even associate in his mind with the right to work.

[S. Panikratov] During the years of stagnation, mention was made of human rights most often in connection with the travel by our citizens abroad, particularly for the purposes of emigration. Our people were released unwillingly, and this difficulty provided an opportunity for political profiteering. What can you tell us about the state of affairs today in this respect?

[Yu. A. Reshetov] It has substantially changed. Judge for yourself. Last year 235,000 people emigrated from the Soviet Union, and more than two million traveled abroad on a temporary basis. These figures are significantly higher than the corresponding ones for previous years.

Like most other countries, we do not foster emigration or encourage people to live elsewhere. The entire social policy of our country amounts to an effort to create conditions conducive to residing permanently in the USSR. If, however, anyone has a determination to leave, then we are required in accordance with our international commitments to provide civilized conditions for leaving.

The new law on travel in and out of the country, which is to be passed by the deputies at the current session of the Supreme Soviet, for the first time in the laws of the USSR affirms the right of each citizen to travel out of the country and to return to it. Travel for the purpose of permanent residency outside the country as well as for a temporary visit does not depend on any kind of invitations originating abroad. There are no limitations to be placed on the duration of one's stay abroad, including visits for professional reasons such as for the purpose of

study or work. The administration of travel regulations will be free of any arbitrary decisions made in secret. In accordance with international standards, restrictions upon travel are not to exceed five years.

Of course, there is a problem in foreign exchange. But in no case should the issue be posed in such a way as to preclude passage of the law while the currency shortage exists. Logic of this kind is extremely dangerous. In spite of the shortage, this legislation is being waited upon by our citizens and, in fact, by world public opinion. Today it is necessary, more than anything else, to establish a civilized legal foundation for it—the financial support can come later.

[S. Panikratov] One final question. The United States has been and continues to be an extremely outspoken advocate of human rights in the USSR. We are now experiencing major changes—witness the drafting of the new human rights legislation. How do things stand by comparison with our opponents in the area of humanitarian concerns?

[Yu. A. Reshetov] Despite the fact that a policy of cooperation with the United States has been established in this regard, I cannot refrain from commenting that the approach of the U.S. Government in this area is in many ways a mirror image of our diplomatic conduct during the period of stagnation—that is, instructing others while oblivious of one's own shortcomings.

It is, of course, common knowledge that the United States has not yet become a signatory of the fundamental documents in the field of human rights, for example. I am speaking of the pacts and conventions prohibiting racial discrimination. Changes in this position by the Americans are scarcely to be expected; for compliance with these accords would entail either making changes in U.S. laws or proving the impossible—that there is no such racial discrimination in the United States.

Mention may also be made of the application of capital punishment to juveniles in the United States and the absence of freedom of conscience with regard to atheists in a number of states, as well as many other laws of the country that do not conform to universally recognized international standards of conduct.

But I do not want to return to the former manner of conducting a dialogue according to the well-known principle of "I do things my way." Our American colleagues know full well the points of vulnerability in their legal system in the field of human rights. I should therefore like simply to underscore the fact that humanitarian cooperation is a two-way street. And only on the basis of this understanding can we hope to achieve success in addressing humanitarian issues at the Copenhagen conference in May.

**German Unity Said to Require Soviet Concurrence**

90UF0055A Moscow *LITERATURNAYA ROSSIYA*  
in Russian No 11, 16 Mar 90 pp 16-17

[Article by M. Aleksandrov under the rubric "World in Transition": "German Unification and an All-German Home"]

[Text] A difficult situation has developed in present-day Europe at the heart of which is the problem of Germany. It is not a matter of anyone's contesting the right of Germans to self-determination, including the creation of a single state; it emanates rather from NATO's desire to see a unified Germany as a NATO member. The leaders of Britain, France, and the United States have declared themselves unambiguously on this issue.

The optimism of H. Kohl is not altogether understandable since the statement of the Collegium of the Ministry of Foreign Affairs dated 24 February makes specifically clear that membership of a united Germany in NATO is unacceptable to the Soviet side. Even the present government of the GDR, headed by H. Modrow, has come out in favor of neutrality. On 18 March, however, the GDR is scheduled to hold general elections, and the West is resting its hopes on forces coming to power that endorse German membership in NATO. It is common knowledge that the GDR Social Democratic Party, which is the most popular party according to public opinion polls, has not yet revealed its position on this question. As a result the danger exists that the process of the unification of Germany may begin spontaneously on the spur of the moment and take a direction inimical to the vital interests of many European countries.

Extremely revealing in this connection is this assessment of French Foreign Affairs Minister R. Dumas: "Events at this time are unfolding so fast that a reunification of Germany may occur from one day to the next. This is the consensus. Elections will be held at some time in the Eastern European countries, and they will take place in the GDR on 18 March. Soon after elections are held, the new leadership of the GDR will raise the issue of reunification."

One thing is clear. If the coalition supporting H. Modrow is defeated in the elections, and new forces come to power which advocate immediate unification of Germany and its membership in NATO, this may extremely exacerbate the situation in Europe and bring about a sharp turn for the worse in relations between East and West.

A natural question is: What kind of resources do we have at this time for influencing German affairs? It would seem at present that resources do indeed exist, both legal and political.

The legal resources are related to steps by the four great powers—Britain, France, the United States, and the Soviet Union—to maintain the responsibility for German affairs which they received as a result of their

victory over Fascist Germany in World War II. This responsibility has been abrogated by no one. The NATO leaders are obliged to recognize this if only because, by signing the four-party agreement on West Berlin in 1971, they affirmed "the rights and responsibilities of the four powers and related agreements and decisions reached by them during and after the war."

These agreements, moreover, imposed certain restrictions on the rights of the Germans to self-determination, owing to the fact that Germany was the original aggressor in World War II, causing untold casualties, suffering, and destruction. For this reason Germany must bear responsibility.

Today it is commonly said that a new generation of Germans is not responsible for what has happened in the past. Such an assertion, however, is only partially justifiable. In the first place, the generation of the war years continues to play a substantial role in the life of the FRG. In the second place, legal responsibility rests not so much with specific persons as with the state itself. It is no accident therefore that responsibility for unleashing World War II has been ascribed in the peace treaties to those countries that took part in the war on the side of Germany—namely, Italy, Hungary, Romania, and Finland. Responsibility for the war further entailed in principle limitations of the rights of these countries, including confiscation of parts of their territory. So long as these peace treaties remain in force, this principle of responsibility will apply.

A peace treaty with a united Germany naturally is not in existence. This circumstance is to be explained by the fact that at the London conference of foreign affairs ministers in 1947, a Soviet proposal to organize an all-German government and conclude a peace treaty with it was set aside by the West. The United States and its allies adopted a policy designed to create in the western part of Germany a government powerful in the military sense for the purpose of confrontation with the USSR. As a result a separate government of West Germany was established in Bonn on 20 September 1949. Repeated attempts by the Soviet Union to achieve in the intervening years the unification of Germany on the basis of neutrality were unsuccessful.

At the present time, relations of the four powers with the GDR and FRG as sovereign states are regulated by an entire network of agreements. Reunification, however, and the formation of an all-German government brings everything back to the point where it began. It is essential to conclude with such a government a peace treaty, and to carry out this objective a peace treaty must be held that involves a wide circle of states that participated in the war against Germany. This treaty should serve both to strengthen existing frontiers and to deal with questions related to the military and political status of Germany.

With respect to the situation from the moment of proclaiming German reunification to the signing of the

peace treaty, all the agreements of the victorious powers entered into both during and after the war are to remain in force automatically during this interim period. The principal ones among them are the Yalta and Potsdam agreements, and the agreement regarding the oversight control of Germany dated 14 November 1944, along with a number of others. In principle, the agreements were already in force after both German governments announced their intentions to unite and accepted the two-plus-four formula—that is, essentially, by agreeing to enter as a single party into negotiations with Britain, France, the United States, and the Soviet Union.

In accordance with the agreements referred to, the establishment of supreme authority in Germany is entrusted to the high commands of the armed forces of the victorious powers, "each in his own zone of occupation, acting upon the instructions of his respective government, as well as acting jointly with respect to matters pertaining to Germany as a whole." It was precisely for the purpose of resolving such matters that the Control Council was established, the functions of which include matters governing "German central administration." At the same time, decisions by the Council are required to be unanimous. Accordingly, not a single issue regarding the future status of Germany may be decided without the concurrence of the USSR.

The agreement by the victorious powers of 25 July 1945 further noted that "all matters pertaining to the relations of Germany with other countries shall be settled by representatives of the allied powers" and that "German authorities shall not assume any kind of foreign obligation, directly or indirectly, nor enter into any kind of agreement without prior approval of the representatives of the allied powers."

All this attests to the fact that the entry of a united Germany into NATO cannot be the prerogative of any German authorities acting on their own. Moreover, we may speak at this point only of its *entry* into NATO since, upon reunification, Germany automatically reverts to the status it had prior to the creation of the two German states.

Of course, our Western partners, to further their own ends, as they have done previously, may resort to direct violations of existing agreements with respect to Germany. What can we do to oppose this? More than anything else, we can secure the support of those forces in Germany that advocate the country's neutrality. There are quite a number of them. According to a recent public survey by the magazine STERN, 49 percent of citizens of the FRG favor the neutrality of an independent Germany; nor is the possibility to be ruled out that the number of those advocating neutrality will grow as soon as it becomes clear that the issue of membership in NATO is delaying the process of reunification. Judging from public surveys reported in the GDR, which has never been in NATO, citizens in support of the idea of neutrality are also in the majority. Whether they will

succeed in counterbalancing the supporters of membership in NATO, however, is still difficult to say.

An important guarantee of Soviet interests in the settlement of the German problem is provided by the presence of Soviet troops in the GDR. These troops are stationed there under the terms of a treaty dated 20 September 1955 dealing with the relations between the GDR and the USSR. It is a treaty of unlimited duration; it will cease to be in force either by virtue of the reunification of Germany or when both sides agree to "to change or end" its validity. Thus neither the present government nor future governments of the GDR may withdraw from this treaty unilaterally or demand the withdrawal of Soviet troops from their territory. Article 4 of the treaty, moreover, states that Soviet troops are stationed on the territory of the GDR "in accordance with existing international agreements," and the concurrence of the victorious powers both during and after the period of the war is clearly implied.

In the event that the reunification of Germany is achieved, then the agreement on the occupation zones in Germany and on the administration of "Greater Berlin," dated 12 September 1944, together with subsequent amendments, enters into force. Thus the presence of Soviet troops in Germany even under these conditions is completely lawful and under no condition will be terminated on demand by German authorities.

Our Western partners understand that a demand for the withdrawal of Soviet troops from the Eastern zone of Germany is without legal justification, and they are prepared to agree, at least verbally, to their presence even in the event of the unification of Germany within the framework of NATO. Their ultimate goal, however, is clear enough. After the unification of Germany under the NATO umbrella, they intend to "crowd" Soviet troops out of the Eastern Zone by so-called "peaceful means." In general terms, NATO General Secretary M. Verner makes no secret of this. Not long ago he declared outright: "There is no objection to some of the Soviet troops stationed in Eastern Germany remaining on duty, but this status, obviously, not continue forever." At the same time, the General Secretary does not extend this requirement to U.S. troops to limit the duration of their stay in Germany.

The plan to "crowd" Soviet troops out is to be achieved, evidently, by creating unendurable conditions for their stay in Germany. It must be recognized, however, that such activities along the line of contact between the two war-time allies may lead to unpredictable consequences. The West, apparently, is oblivious of the fact that the USSR is empowered with broad jurisdictional rights to defend its military and political interests in Germany. The agreement between the governments of the GDR and the USSR on matters related to the temporary stationing of Soviet troops on the territory of the GDR, dated 14 March 1957, for example, states that "in the event of a threat to the security of Soviet troops" on the territory of the GDR, the High Command of the Soviet

troops "may take measures to eliminate this threat." Presumably, such measures should be commensurate with the amount of the threat.

In the event that obstruction of Soviet troops should begin after the unification, then the provisions of the declaration on the defeat of Germany and the assumption of supreme power in regard to Germany by the governments of the four powers enters into force. Article 14 of this declaration specifically states: "In the event that the German authorities or the German people do not fully and expeditiously fulfill the obligations imposed on them by this declaration, the representatives of the allied powers shall undertake any measures that they consider appropriate under the circumstances."

It is entirely possible that there are forces in the West that will attempt to test the firmness of resolve of the present Soviet leadership in dealing with the German problem. If such designs do indeed exist, they are fraught with enormous danger for international stability. History demonstrates that the underevaluation by one opposing side of the readiness of the other side to resort to extreme measures to defend its national interests may lead to the most acute kind of international crisis. It was precisely such a scenario perhaps that gave rise to the Caribbean crisis, which was the most dangerous confrontation of the post-war period.

The opinion that we have nothing to fear from NATO since East-West relations are now improving, which is widespread in some circles, is based more on emotion than serious political calculation. Our Western partners are continually harping on the fact that policy cannot be based on mere wishful thinking. It would appear that the time has come to take a leaf from their book. The current situation, of course, could quickly take a turn for the worse.

The official Western interpretation of events asserts that the aspiration of the Germans towards unification is traceable to a fundamental urge by the inhabitants of the GDR "to improve their material situation." But then why should those who live in the FRG, who are fully provided for materially, greet unification enthusiastically? The director of the Higher School of Social Studies in France, S.-K. Holm, in an article published this February in the newspaper *LE MONDE*, offers a detailed analysis of the phenomenon. At the heart of this drive, in his judgment, is "an unconscious and wholly irrational urge inherent in the German national character, which Heine termed *Teutonic mania*, and others have called the nationalistic ideology of Pan-Germanism. It is necessary therefore, the author goes on to say, that we concern ourselves, not with the right of the German people to unification, but rather with the rights of neighboring peoples to maintain their security. He then makes a proposal, which reflects an idea introduced earlier by E. A. Shevardnadze, to hold referendums on the German question in countries that underwent German occupation. This idea would seem to merit attention. The conditions for the unification of Germany

constitute such a grave matter that they cannot be left solely in the hands of a restricted circle of politicians.

The NATO leaders, cunningly playing on the natural apprehensions of the Western Europeans, have presented the problem in such a way that membership in the NATO alliance would seem to offer a guarantee for the security of Germany in the future.

The question naturally arises: And what about the states that are not members of NATO? Should they entrust their fate entirely to the United States and its allies? What in this situation is to become of the Eastern European states, including Czechoslovakia, Hungary, Romania, and Poland—the territories of which were cut up and divided piecemeal in the pre-war period on the instructions of Berlin? This situation may repeat itself with the West simply washing its hands, for example, in the event that Germany should make territorial claims against Poland. Such a possibility cannot be ruled out. Even the government of H. Kohl is not providing any firm guarantees for the western frontiers of Poland. And what will happen if a more Right Wing, nationally inclined government comes to power?

Strained relations between East and West need not involve just Germany. Currently all of Eastern Europe has been transformed into a singular "arc of instability." A protracted economic crisis with no prospect of any rapid resolution of resulting social problems has been superimposed on the existence of an entire series of national territorial conflicts between various Eastern European states. The most well known of them is the conflict between Hungary and Romania over Transylvania. Let us not forget, however, that after World War I Yugoslavia acquired Hrvatska [Croatia] and Slovenia, while Czechoslovakia acquired Slovakia and Carpathian Rus [Ruthenia]. Moreover, Bulgaria gave up a part of its territory with a predominantly Macedonian population to Yugoslavia. Like an unhealed wound ethnic conflict continues to fester in the Yugoslavian region of Kosovo, which is viewed in Belgrade as a campaign by Albania to wrest long-claimed lands from Serbia. Recently, publications in Hungary and Romania which lean to the Right have begun to make claims on Soviet territory. Thus more than enough flammable material has accumulated in Eastern Europe. Previously, conflicts have been constrained by ideological bonds and the "monolithic unity" of the socialist community. Now, however, as these conflicts surface, they may markedly destabilize the situation in Europe.

Lest this destabilization, should it eventuate, lead to a confrontation between NATO and the Warsaw Pact, it is vitally important to maintain a stable balance of forces between the two alliances.

Thus the interests of the Soviet Union are understandable. But what are the objectives of the United States? They are also not difficult to determine. They consist, first, of achieving strategic superiority over the USSR in the event of possibly strained relations in the future; and,

second, of preserving the composition of NATO. This alliance is needed by Washington as a means of exerting influence on European affairs at a time when the integration of Western Europe continues to gain momentum, as international tension wanes, and the United States may simply be "crowded out" of Europe with the participation of this very reunited Germany. What is incomprehensible is only how these objectives

can dovetail with the foreign policy of the Western Europeans, who maintain that they are striving to create a unified Europe. The Soviet Union likewise stands for a unified Europe, for the dissolution of military blocs, and for the establishment of an all-European system of collective security. Since it would provide a natural neutral zone, the neutralization of Germany may serve as a first step in this direction.

**Basis of CEMA'S Formation, Continuation  
Questioned**

90UF0027A Moscow MEZHDUNARODNAYA ZHIZN  
in Russian No 3, Mar 90 pp 58-60

[Unsigned article: "An Unsound Model of Economic Relations?"]

[Text] In January 1989 the USSR's permanent CEMA representative at that time took note, in a PRAVDA interview held in connection with CEMA's 40th anniversary, of "the major successes" of the CEMA member-countries "in socio-economic development and in the formation and consolidation of socialist type international economic relations," and he attributed these "successes" to the policy worked out through the "collective efforts of their communist and workers parties, which function as the leading and organizing force of our entire community." A little more than a year has passed since then. And our thinking today rejects without hesitation not only the essence of what was said but also the obsolete verbal definitions.

In this interview CEMA was characterized as an example of socialist internationalism in action. But today there rages among the countries participating in CEMA what is essentially a trade and customs war with substantial moral as well as material losses resulting for all sides, but mainly for the achievement of true, practical results. And it is here that "fraternal cooperation" is undergoing a real test of durability and quality, and not among the heavy, lifeless volumes which have subsided in the quiet of offices, and which comprise the Comprehensive Program of Socialist Economic Integration, the collective Concept of the International Socialist Division of Labor Up to the Year 2005, and the Comprehensive Program of Scientific and Technical Progress, which was christened without false modesty by its creators as the "Eastern European 'Eureka,'" and other grandiose plans.

The idea of a unified socialist market, which was triumphantly announced more than two years ago at the 43d CEMA session as a new panacea for the cherished goal of a new kind of integration, has lost its attractiveness, and any practical sense. And indeed, what kind of unified market can one talk about if a majority of the CEMA member-countries lack their own internal, national markets? And in the Soviet Union there is so far only talk about attempts to organize "plan-market relations."

In short, CEMA has proved to be an impotent formation. And there is nothing to be surprised about and no one to blame except ourselves. As they say, what ye sow, so shall ye reap.

The autarchic economic model implanted in the Eastern European countries, which is oriented toward heavy machine building, the extracting industry and the fuel and energy complex, hypertrophied the entire economy of these countries; in the first post-war years this model

made it impossible to revive the traditional areas of economic development and efficient relations with the European countries.

The 1947 rejection of the Marshall Plan by the Eastern European states led to the beginning of their economic isolation from Europe, the re-orientation of their economies in the direction of the USSR and the establishment of an economic model which duplicated the Soviet one. Under these conditions, CEMA, whose 1949 formation did not result from economic preconditions in the form of established trade and economic relations among partner countries, was viewed as a response to the West. Up to the mid-50's CEMA essentially was not used as an instrument for the coordination of national economic plans.

Ours is a time of critical re-evaluation of historical experience. From the viewpoint of today it is clear that the preservation of CEMA and the relations between its members in the previous form has become less and less economically and politically justified; it is simply not advantageous.

The Soviet Union gradually began to turn into essentially a raw materials adjunct to the European CEMA member countries. Moreover, the USSR's abilities to satisfy its partners' demands for fuel, power and raw materials were constantly declining due to exhaustion of the fuel and raw material resources and the increasing cost to extract them. On the other hand, continuing to supply the USSR with finished products which were uncompetitive in the West meant that the European CEMA countries were deprived of the incentive for technical progress and for changes in the structure of production; it doomed them to lag behind the West technologically.

In short, all the members began to accumulate concerns about cooperation within the CEMA framework.

Are the decisions adopted in January in Sofia at the 45th CEMA session capable of changing this state of affairs? Will the transition proposed by N.I. Ryzhkov to calculations made in convertible currency and at current world prices work? Will the "new, reorganized CEMA" be sufficiently attractive for any given country? Wise from experience, we will not hurry with our conclusions.

The whole problem is that the low effectiveness (by today's standards) of economic relations among the Eastern European countries does not result from flaws in the structure or functions of CEMA. Its roots are much deeper. They lie in the command-administrative model of the economy, which—despite being recognized at the last meeting in Sofia as unsound—nonetheless in practice continues to determine to a significant degree the economic structure of our country and of the Eastern European countries.

So what is to be done? Recognize the disintegration of CEMA without a murmur? Allow it to die a quiet death? Today these are not idle questions.

It should not be thought that the USSR is more interested than all the others in preserving it. CEMA is not more necessary to us than it is to its other members. And it is hardly productive or advisable to try to persuade anyone of the need to retain membership in it.

After all, the Eastern European countries are turning more and more toward the West, and no incantations will stop this process. They have boldly opened up their economies in that direction in order to break through to the newest frontiers of science, technology, production and a better life for people. In Central and Eastern Europe there is renewed interest in sub-regional formations. Specifically, there is the idea of the economic integration of Poland, Czechoslovakia and Hungary, which is designed to help these states come closer to the developmental level of the EC countries with a view to their joining that group in the future as participants with equal rights. One possibility which should not be excluded is that the integration processes in Eastern Europe might develop at "various speeds," that is, on the basis of closer interaction on a bilateral or trilateral basis, if a unified model is not achieved.

The development of economic cooperation between the Eastern European countries and the West is a completely normal process, which reflects objectively the trend toward the internationalization of economic life. Of course, this kind of cooperation should not be set in opposition to either bilateral relations between CEMA members or continuing attempts to find forms for interaction within the framework of the Council for Economic Mutual Assistance.

The future of CEMA, if indeed it has one, is seen to lie more in its capacity as an organization for consultation and coordination. Realistically one can hardly count on the creation of a genuinely integrated structure, an eastern version of the common market.

Some authors write about a dilemma: will it be together or separately that the Eastern European countries will integrate into the world—and especially the European—economic system? Undoubtedly, a joint, coordinated integration into the Western European economy would be more fruitful and potentially more advantageous. But there is no dilemma here—not, in any case, for a majority of Eastern European countries. Now, as a Polish diplomat said, "everyone is thinking for himself."

Today Eastern Europe has been declared an important policy area in the EEC organs. There is talk about the possible association of this region's countries with the EEC, and not only about economic cooperation but also about "political interaction." In fact, plans for including Eastern Europe in the EEC zone are being discussed.

The main obstacle on the path to building joint European structures is the great gap between the Western European and the Eastern European countries in terms of development level. Much will depend on progress in

the fundamental reconstruction (perestroyka) of the economic mechanism of the USSR and the other CEMA member countries.

It can be said that now the main obstacle to our integration with Europe, and to our rapid inclusion in the system of world economic ties does not lie in the West and, in general, it does not lie outside. It lies within the country. Our internal weakness, which is manifested in an economic crisis, instability, internal political friction and problems, makes it very difficult for us to enter the world on a broad and worthy footing. Above all, we need to deal with the elimination of these problems. No one else will do this for us. The success of perestroyka is our most important goal within the country as well as for ensuring the international status and prestige of our country, and its acceptance by the world as a full and equal partner.

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#### CEMA's Hard-Currency Accounting Problems Evaluated

90UF0043A Moscow *TRUD* in Russian 4 Apr 90 p 3

[Article by M. Lyubskiy, candidate of economic sciences: "CEMA at the Crossroads: The USSR Is Prepared To Trade for Dollars as Early as Tomorrow, But...."]

[Text] The stormy political and economic processes taking place in the countries of Eastern Europe have, naturally, posed the question of the prospects for their mutual cooperation. To a significant extent, this also pertains to the question of reciprocal currency relations, which was one of the main topics at the 45th sitting of the CEMA session held in Sofia at the beginning of this year. Let's not forget that currency relations constitute the "nervous system" of cooperation, slowing down or stimulating economic interaction.

The administrative-command system also engendered an administrative-command integration within the CEMA framework, whereby everything was decided from above, without taking into account the actual economic interests and goals of the immediate producers. But this radically contradicts the objective laws of economics.

The participants in the 45th CEMA Session see the solution in a radical change of the entire system of reciprocal economic ties. Moreover, the principal problem consists in the gradual creation of a united market for the CEMA member-countries, based on the effective use of currency-finance instruments.

EXCHANGE OR TRADE? CEMA's existing currency system, based on the transfer ruble, was a mirror image of the administrative-command methods of running the economies of these countries. And this is not at all a matter, as certain economists think, that the transfer ruble is not money in the full sense of that word but

merely a unit for calculating accounts. It is a known fact that no clearing-type currency, whether it be the transfer ruble or something else, used for non-cash accounts cannot and should not perform all the functions of money. It has another task—to serve as a common denominator for multilateral accounts.

Here the matter is something else. The coordinated, reciprocal deliveries of goods among the CEMA member-countries are carefully and tightly balanced on an inter-state level, as measured in physical terms. There is, in fact, no trade, i.e., buying and selling for money, among the CEMA member-countries. But what takes place instead is a centralized distribution of streams of goods—an exchange of certain items for others in which there is no place for "live" money. Moreover, the transfer ruble in this case serves as merely an accounting device, to balance the items exchanged by value. As the immediate or direct producers of goods, enterprises take practically no part in determining the economic conditions of this exchange.

How should money, which A. Smith termed the "great wheel of exchange," be activated in cooperation? The Soviet delegation at the 45th CEMA session introduced a proposal whereby use would be made of world market prices and a freely convertible currency. Our initiative was supported in principle by the other CEMA member-countries.

What could this provide? First of all, we would make the transition from direct goods exchange or barter to genuine trade, and so we would approach the conditions of mutual cooperation and those commonly accepted in world practice.

**THE TRANSFER RUBLE? NO, THE DOLLAR!** For the CEMA member-countries, the transition to keeping accounts in freely convertible currency (to put it more simply, in dollars) is a far-from-simple matter and requires the solution of many important problems. First of all, in order to keep accounts in dollars, it is necessary to have them. But it is no secret to anyone that practically all the CEMA member-countries are experiencing a very sharp need for hard currency. There are two sources for obtaining it.

The first is to export items to the West. Up to now such exports have been extremely insignificant, since the basic mass of goods being produced in CEMA are non-competitive in the Western market. The second source comprises new credits from Western banks and international finance organizations. To take new credits is already dangerous: the level of foreign indebtedness in the CEMA member-countries has reached the critical mark. As of the end of last year, Poland's indebtedness amounted to approximately 40 billion dollars, for the GDR and Hungary it was about 20 billion dollars, for Bulgaria—8 billion dollars, and for Czechoslovakia—6.7 billion dollars. The USSR is still in a relatively more favorable position (if we compare the total debt with the country's economic potential and the

number of the population); its indebtedness is estimated to be approximately 40 billion dollars.

And so there is either no or very little freely convertible currency in the CEMA member-countries, and virtually no place from which to acquire it. In connection with this, another problem arises: how should the reciprocal accounts among them, including the USSR as well, be balanced out if they are to be computed in dollars? Because, after all, if, within the present-day trade structure, all the accounts were to be computed in world prices, then every year (according to the estimates of Hungarian and other economists) the CEMA countries would be left owing the Soviet Union approximately 6-10 billion dollars.

Let's illustrate this by an example. Suppose that during the present year we were to begin keeping our accounts with Hungary and Poland in dollars. Taking into consideration the fact that about 70 percent of the shipments made from the USSR to Hungary are accounted for by fuel and raw materials—items which cost more than the machinery, equipment, and consumer goods which we import from there—when recomputed at world prices, Hungary would be left with a debt to the Soviet Union of 1.5-1.8 billion dollars annually. This amount would be about the same for Poland.

The following natural question arises: who would "cover" this difference? In other words, who would grant credits for these totals to Hungary and Poland? The Soviet Union? We would hardly be capable of taking on ourselves such an economic and hard-currency burden?

Furthermore, when making the transition to convertible currency, difficulties could also arise with marketing and selling the items produced by the CEMA member-countries in the region of cooperation. The fact of the matter is that, when paying in dollars, the purchasers would, naturally, strive to obtain only goods of excellent quality, those measuring up to world standards. And they would refuse to import those which would not be highly regarded or in demand on the world market. But there are not many competitive products turned out in the CEMA member-countries. Hungarian exports to the West, for example, consist primarily of diesel trains, buses, medications, and furniture produced by cottage-type methods. The only items Czechoslovakia sells in the Western market are certain types of machine tools and printing equipment. Poland exports there coal, copper, lead, tin, and road-building machinery. As we can see, the assortment is a small one. And if accounts were kept in dollars, it is possible that there would be a significant reduction in reciprocal trade.

And so serious difficulties await us in abandoning the transfer ruble. Therefore, the transition to dollars "along the entire front" if reciprocal trade both now and in the foreseeable future is hardly possible or feasible. To be sure, the USSR is prepared to begin accounting in dollars as early as tomorrow. But it is obvious that the other

CEMA member-countries will have to think things over very, very carefully before deciding to take such a step.

In our opinion, as of now, accounts kept in convertible currency could merely be a supplement to payments in transfer rubles and in the national currencies of the CEMA member-countries. During the initial periods it would be feasible to use dollars primarily to pay for imports of the so-called "hard-currency" items—those which measure up to world standards and which can also be sold in the West.

**THE OVER-ARCHING TASK OR "SUPER-PROBLEM" IS THE CONVERTIBILITY OF THE NATIONAL CURRENCIES.** The strategic thrust in developing a currency system for CEMA consists of moving toward the convertibility of these countries' national currencies as an integral, organic element in of a developed, market-type economy. On this basis we could create a new, standardized currency for the CEMA member-countries, one relying on full-value, convertible rubles, GDR marks, Polish zlotys, Hungarian forints, Czech crowns, as well as as currency union of the community's countries. Conditions will obviously arise in the future for interaction between the currency systems of CEMA and the EEC, possibly with the participation of the new European Bank for Reconstruction and Development.

It is impossible not to share the viewpoint recently stated by A. Lukonov, chairman of the CEMA Executive Committee: "In order to have a market, there must be real money." But, naturally, by virtue of the differences in the levels of economic development, the individual CEMA countries will arrive at the convertibility of their currencies at different times.

The GDR proposes to take the initial steps along this path quite soon now. As we know, its program for economic reform provides for the introduction of the mark's partial convertibility already this year.

In Czechoslovakia and Poland conditions have also been created for introducing the convertibility of currencies. In particular, these countries have set up an integrated, realistic rate of exchange between the crown and the zloty to the dollar, a rate of exchange which is pegged to the "black-market" level.

The attainment of convertibility by the national currencies will allow them to be utilized for international payments without having recourse to Western hard currency, which is in short supply among us. But the path to convertibility lies through a heightened level of economic development, one which will permit the CEMA countries to compete as equals with the exporters of goods and services from other states. In order to do this, they need to achieve an appropriate or corresponding level of development in their productive forces and production relations, as well as a good balance between demand and supply.

Creation of a socialist market-type economy will allow CEMA to realize the enormous possibilities of economic interaction among the participating countries. Moreover, the principal subjects of the economic ties will be the direct or immediate goods-producers—the enterprises, which will have the right to select a partner, set prices, the forms of accounting, and the disposition of funds earned. And the states will have to learn how to effectively utilize the methods of indirectly regulating the market with the help of finance credits and currency instruments.

**Arbatov Defends Foreign Aid Expenditures**

90UF0020A Moscow VEK XX I MIR in Russian No 12,  
Dec 89 pp 9- 13

[Interview with Academician Georgiy Arkadyevich Arbatov, director of Institute of U.S. and Canadian Studies and people's deputy of the USSR, by Valeriy Dikevich and Yuryi Yuzhaninov: "The Potential of Common Sense"; words in boldface as published]

[Text]

[Dikevich and Yuzhaninov] If you have no objections, Georgiy Arkadyevich, we will begin our conversation by asking what might seem to be a purely hypothetical question. Do you agree that there was already a contradiction, even at the time of the birth of the Soviet State, between the principle of proletarian internationalism, the declared basic principle of Soviet foreign policy, and the principle of peaceful coexistence—a real contradiction, and not one invented by bourgeois ideologists? Furthermore, these "principles of proletarian internationalism and solidarity" were often used by the totalitarian authoritarian system as an ideological cover, which led to the squandering of national resources on displays of foreign policy "successes": the birth of new "socialist-oriented countries," the establishment of friendly relations with "progressive" regimes, etc.

[Arbatov] This is an extremely serious question, and not just because someone might have used the principle of internationalism as a screen to protect the authoritarian system, although I cannot absolutely deny this possibility either. This is a matter pertaining to the origins of important Marxist ideas with a direct relationship to the bases of our foreign policy. I would begin by saying that the prevailing belief in Marxism for a long time was that the revolution would take place in all countries at once, or at least in all of the developed countries. Marx and Engels might have made an exception only for the colonies and the underdeveloped countries, for which the example of countries where socialism had triumphed would be enough to send them down the same road. Lenin was the first to suggest that socialism might triumph in a single country. He did this before World War I, but he was suggesting that this turn of events was possible, and not that it was inevitable or logical. No absolute decision had been made on the matter by the time of the revolution.

This is all the more understandable in view of the fact that the situation which took shape during our revolution was one in which 14 capitalist states took up arms against us. On the one hand, there were the revolutions in Finland, Bavaria, Hungary, and the Baltic countries, which had once been part of the Russian Empire. All of this created the impression that the world revolution had started and that the counterrevolution was trying to stifle it. And the counterrevolution was also international—I am referring to the direct military intervention as well as the aid to the White Guards. Some "revolutionary romanticists" asserted that we would even have to be

prepared to lay down our lives for the cause of world revolution and proletarian internationalism. Even illiterate peasants marched into battle with the slogans of this revolution and a sacred belief in the cause (remember Svetlov's poem "Granada"?). This was during the Civil War. In the last stage, when we were attacked by bourgeois Poland, Tukhachevskiy launched an offensive with the war cry, "Give us Warsaw! Give us Berlin!" It seemed that as soon as we would reach Poland, the Polish proletariat would rebel, and that when we would move on to Germany, the same thing would happen there, and the revolutionary process would continue.

[Dikevich and Yuzhaninov] Are you saying that the slogan of world revolution and the "Campaign for the Bug" were the result of "revolutionary euphoria"?

[Arbatov] Not at all. In the first place, this was part of the final stage of a purely defensive war and, in the second place, the expectations regarding the proletariat in other countries stemmed from conviction, and not from euphoria. The defeat in Poland, however, forced us to take another look at the situation and concentrate on finding a new, non-romanticized approach. This is when the conclusion regarding the partial stabilization of capitalism was also drawn. The riots in Kronstadt were going on at the same time within the country. At the 10th party congress these errors began to be analyzed in earnest, and the idea of "peaceful cohabitation" (it was later that the word "coexistence" began to be used) was born. Furthermore, this "peaceful cohabitation" was regarded only as the possibility of a respite before the next attack by outside forces....

The echoes of the idea of world revolution resounded in our country for a long time, and when we finally had to give it up, we felt some kind of inner shame and the need for some kind of compensation. One of the latest examples of this was our idea that even if peaceful coexistence did exist, it did not preclude class struggle. We went even further, asserting that peaceful coexistence presupposed particularly fierce class and ideological struggle. It was as if we were ashamed of compromising our "revolutionary purity," our "revolutionary primogeniture." I would even say that we had feelings of "revolutionary inferiority." Of course, these feelings were unwarranted: At that time we did so much for the revolution in other countries, just by virtue of the fact of our victory and our existence and later with our victory in World War II. This is why the rest of our assistance could and should have taken the form of building a society in our country which would appeal to others—i.e., of setting an example.

When the authoritarian system came into being, in Stalin's time, abuses of our superb revolutionary slogans were common. Even the 20th CPSU Congress did not put an end to them, although it did draw several important conclusions for our foreign policy. It goes without saying that this practice survived the period we call the era of stagnation. Furthermore, even in our international

relations, we followed the sad examples of other nations and sometimes used the superb slogans to cover up unscrupulous behavior.

None of this, however, should be taken as a denial of the concepts of "internationalism," "internationalist duty," and "internationalist assistance." They do exist, just as our allies, our treaty-based cooperation with these allies, and our class and ideological sympathies exist. They are just as real as our antipathies.

[Dikevich and Yuzhaninov] Is it possible that these "ideological sympathies" have cost us too much? In the absence of Soviet data, we have to refer to the "data" of American organizations like the Heritage Foundation. According to this organization's data, for example, the Soviet Union was spending 15 million dollars a day on the war in Afghanistan, it spends 5 billion dollars a year on the maintenance of economic and political stability in Cuba, it spends 4 billion dollars a year on aid to the Sandinistas in Nicaragua, and it spent 5 billion dollars in Angola between 1975 and 1987, 1 billion in Mozambique (1975-1983), and 3.5 billion in Ethiopia (1975-1986). Even if we assume that these figures have been exaggerated and are, for instance, twice as high as the real figures, we still come out with a colossal total. Would it not have been more expedient to spend this money on the establishment of elementary order in our own economy, which is in such a disastrous state today? Do we benefit in any way from the support of non-viable regimes?

[Arbatov] I would not be so categorical in defining the regimes. Many countries have lived through periods when their regimes seemed non-viable or unstable to many foreign observers, but these regimes later grew strong and the situation returned to normal. The figures you cite are also quite questionable, especially since they come from an organization on the far right with a dubious reputation (although you are right about one thing: Where would we find accurate data?).

Furthermore, this is an extremely complex question and it would be wrong to oversimplify the matter. Nicaragua, for example, gets aid from us and from the West Europeans. This country was in an extremely difficult position: America was trying to smother it. Even the internal state of affairs was quite ambiguous. Here is just one example: Some of the people in government office there are also high-level officials of the Catholic Church. Many conscientious people now feel that all civilized countries have a duty to help countries like this one. And there is no need to idealize U.S. policy (which has become a common and regrettable practice), especially U.S. policy in Central America.

As far as Cuba is concerned, we might have different opinions of certain facets of life there, but for many years it had to live under the conditions of a blockade organized by the United States. Furthermore, Cuba has always had high defense-related military expenditures.

The need for them was not imaginary. They were absolutely necessary, and this necessity was corroborated by Cuba's own experience and by the experience of other countries in that region. Of course, we might argue about the effectiveness of Cuba's economic policy, but we are not angels in this respect either. In this sphere we have not always set a good example for the countries choosing the socialist road. You also mentioned Mozambique, Angola, and Ethiopia, but after all, these are extremely poor developing countries, and we are sometimes still criticized in international forums for not helping these countries enough. Quite honestly, if the state of our economy were even relatively normal, I might agree with this criticism myself. During the period of stagnation we took the wrong position: We felt that we had performed our duty by bringing all of our former "internal colonies," the ones we inherited from tsarism—Central Asia, the transcaucasus, and others—up to our own level. We believed that the former colonies had to be helped by their former mother countries. This was logical, but it was deeply wrong in the political sense. Now we quite rightly believe that the underdevelopment and poverty of these countries is everyone's problem: Even when it comes to the consolidation of international security, this will necessitate the normal development of the states in the "Third World," where the majority of the world's population lives. Even "enlightened egotism" tells us this, not to mention humanism and normal human empathy, which will not allow us to forget that there are countries where people are dying of starvation and that millions fall victim to it each year.

[Dikevich and Yuzhaninov] Come now, we are not naive, and we are fully aware that in most cases our aid was used not to build schools and orphanages, but to arm soldiers, bribe officials, stifle the opposition, and complete massive and ambitious economic projects.

[Arbatov] This is definitely a problem in some cases and it has to be solved. It is true that in the past we helped some African countries because their leaders asserted that they were building socialism (and we believed these assertions without any proof whatsoever), while our aid was actually steeped in corruption and in abuses of power by bureaucrats. In these cases we have the right to demand that our government, our parliament and the special commissions, explain to the public how our financial and other aid is being used: They should report how much went to the people, how much was wasted by mismanagement, and how much was stolen.

[Dikevich and Yuzhaninov] Nevertheless, we feel that the problem goes far beyond just the "proper" use of Soviet aid. Now that the future of perestroika is being decided, now that the country is trying to emerge from an economic and financial crisis, and now that we have to fill the market with food and consumer goods as quickly as possible, we must take radical measures and reduce our aid to so-called "friendly regimes" dramatically.

[Arbatov] I realize that all of this has to go together. We are already working toward the settlement of regional conflicts, and we have made serious advances here. We always had to coordinate our aid with our capabilities, and we should be particularly careful to do this in the future. We also have to remember that with the exception of extreme situations, such as the need to repair the ravages of war, catastrophic droughts, and other natural disasters (incidentally, after the earthquake in Armenia we received a great deal of aid ourselves), any country, even the poorest, will gain more from properly balanced and mutual beneficial cooperation than from charity. In some cases, for example, we have built large metallurgical combines or big power plants in developing countries where there is no base for their operation or even a real need for their products. This also applies to the socialist countries. The same sacrosanct delusion prevailed: The first thing that had to be done for socialism and for the working class was the construction of a big metallurgical plant. At one time we were even building them in countries with no ore or coal, and now we have to ship them to these countries ourselves, although the plants are already obsolete from the technical standpoint. There are excellent examples of our cooperation with other countries, however, revealing cases in which we did help lay the foundation for industry.

[Dikevich and Yuzhaninov] Regrettably, it is time for us to start asking for help.... We are falling further and further behind the industrially developed Western countries and are approaching the level of countries we refer to as developing states: Argentina, Brazil, and others. There have been examples of countries surmounting their underdevelopment in the 20th century: Japan after World War II, and South Korea, Taiwan, and other "Asian dragons" in the 1960's, 1970's, and 1980's. In all of these cases the dramatic acceleration of development was a result of the close integration of the economies of underdeveloped countries with the economy of a "leader-country" or group of countries. For Japan it was the United States, and for the "Asian dragons" it was already Japan itself, which secured [next line in text out of context "...about this. After all, CEMA does not include..."; possible printing error or omission]. Our potential for conversion is not great, and for this reason we cannot surmount the technological gap or raise our standard of living without Western input.

[Arbatov] Conversion is an extremely complex matter and a matter of great importance to us. We have not learned to do this yet. All of our intellectual, scientific, and technical potential must be put at the service of the national economy and civilian purposes. Conversion must be carried out on a broad scale. And we need input from the West less than we need input from our own science in our own industry, from the military industry in civilian branches, and from advanced fields in backward ones. After all, the successes of the metallurgical industry in the United States, Japan, and South Korea, for example, are all based on our development projects! We have found that in our country the period of time

between discoveries in the Paton Institute and the organization of production based on the institute's discoveries and inventions is much longer than the period in those countries between the purchase of Soviet licenses and the manufacture of products (which we, as the crowning touch, later have to import in many cases). This is our main problem, and we simply have to solve it. After all, it would also be difficult to rely solely on the generosity of Western countries. They are not that eager to transfer technology even to each other, and they do this only when there is a clear advantage in exchanging it for something else. Incidentally, we have something to offer in the sphere of science and technology, and we could make use of the fierce competition in the market to our own advantage. The FRG certainly has no wish to let Japan get ahead of it, and America is competing with these two countries and with others.

[Dikevich and Yuzhaninov] We would also like to know your views on another matter. At one time, the authoritarian system made use of the idea of "Soviet-American relations as a manifestation of the global confrontation of socialism and capitalism" in its attempts to stay afloat. In the most general terms, what changes has the theory of Soviet-American relations undergone in recent years? Your opinion is of particular interest to us because, after all, in the West they call you the "Kremlin's leading expert on Soviet-American relations." Besides this, it has recently been suggested that some of the political and intellectual energy used in the American sphere could be saved and could come in handy in certain neglected areas of international policy.

[Arbatov] I would say that there was a time when the struggle between the two systems was regarded as the main feature of the era and did actually determine the course of world events. Now, on the other hand, we feel that the world is something integral and interdependent, even if it is full of conflicts and differences, and sometimes extremely acute ones. We still see traces of "bipolar thinking" in the United States, however, although it is true that it is related less directly to the class essence of the two systems than to their physical strength. According to this school of thought, there was a power vacuum in the world, and the USSR and United States filled it. This is how the bipolar world came into being. The other powers had either left the scene or had been debilitated by the war.

This was true to some extent, but now the world is multipolar again, and there are new power centers. This has changed the role of USSR-U.S. relations: They do not play their earlier dominant role, although they are still quite important. Until the threat of war has been eliminated, these great powers with their colossal economic and political strength will continue to play an extremely important role. In the new thinking—and this is reflected in our state documents—international relations are not reduced to USSR-U.S. relations and are much broader. Recently we have also tried to take this into account in our political practices.

[Dikevich and Yuzhaninov] Does it seem to you that many of our past and present problems were the result of our tendency to treat Marxism-Leninism as Holy Scripture?

[Arbatov] Marxism was never meant to be taken as scripture, as something complete, and capable of interpreting anything in detail. Even believers do not take Scripture as the absolute truth today. Marxism is always developing, renouncing some parts of its past and moving on to the next stage. Present-day imperialism is not what Lenin was writing about in his famous work. It seemed to him that it was the last stage in the development of capitalism. I think he would draw a different conclusion today. And contrary to the expectations of Marx and Engels, the revolution was not worldwide, and many other developments did not fit into the original formula. If capitalism had not been capable of change, it would have died long ago, just as Marx and Engels predicted. And speaking of these changes, we frankly did much to improve the status of the laboring public in the capitalist countries. After the revolution, for example, under the pressure of the very fact of our existence and our example, social legislation was legitimized in the capitalist countries. Prior to this, the demands for an 8-hour workday, social security, free medical care, and many others were viewed as something just short of criminal anarchy. Capitalism seems to have learned from us whenever it was "pressured" by the influence of our example. We would not have to feel ashamed if we also took the bold step of learning the good things others have to offer.

### Prospects For Resolving Regional Conflicts Viewed

90UI0453A Moscow NAUCHNYY KOMMUNIZM  
in Russian No 2, Feb 90 pp 37-45

[Article by Galina Anatolyevna Drobot, candidate of philosophical sciences, (Moscow University Philosophy Department): "Regional Conflicts: Their Sources and the Prospects for Bloc Uncoupling"]

[Text] Regional conflicts are one of the most acute problems in the Third World and in the entire world community. The following data testifies to this. During the Eighties, the growth rates of military expenditures in the developing countries exceeded the corresponding indicator in the developed capitalist countries twofold and the average world growth rates by more than three-fold. Even the African continent, where the question of basic survival really arose during the Eighties, has increased military expenditures tenfold during the last two decades. According to the calculations of specialists, if there had been no military imports, the foreign debt of the developing countries would be 40 percent less (cf. AZIYA I AFRIKA SEGODNYA, No 5, 1989 pp 9 and 11; PRAVDA, 25 May 1989, p 5).

The danger of regional conflicts is caused by the fact that the confrontation between the great powers and between NATO and the Warsaw Treaty Organization has also

embraced a sphere of influence in the Third World, and this leads to any local conflict being transformed into a factor that destabilizes the international situation in general. With the present level of armaments, an opportunity is created to use new types of weapons of mass destruction right up to and approaching a dangerous border beyond which it is but a step to nuclear catastrophe. The events during the fall of 1962 in Cuba are reminiscent of this. Thus, the problem of regional conflicts has become a component part of the global problem of maintaining peace on earth.

Almost no one doubts the necessity of uncoupling conflict situations in the Third World from blocs. However, it is difficult to find another international problem which gives birth to so many differences of opinion on the path to its solution. The reason for this is fully explainable: Too many different and often directly opposite interests are operating at the same time. The main thing is that serious differences on this matter still exist between the USSR and the United States—differences that are based on the mutual lack of trust, which has still not been overcome, and geopolitical antagonisms. Not only the American side, as we have previously suggested, but also our side needs a serious theoretical rethinking of the international process. The suggestion to consider the containment of the "extremist manifestations of U. S. regional policy" as the Soviet Union's top priority task will hardly contribute to the relaxing of regional tensions (N. Spasov, "The Evolution of the U.S. Approach to Regional Problems," MIROVAYA EKONOMIKA I MEZHDUNARODNYYE OTNOSHENIYA, No 3, 1989, p 35). You see, any "containment," "hurling back," or "supplanting" causes an opposite reaction at the very least. Let us recall the NATO "nuclear deterrent" concept and meditate on how much it contributed to peace.

The idea of "containment," which was universal in the past and which still persists now, logically flows from an analysis of the reasons for the origin of regional conflicts in the modern world. The United States has repeatedly linked the tension in the world with the very existence of the Soviet Union. The official Soviet point of view on this question is not very different: "On imperialism and only on imperialism does the responsibility for the wars and conflicts of our century lie...." ("Materialy XXVII syezda KPSS" [Materials on the 27th CPSU Congress], Moscow, 1986, p 100). Let us note, that, in quoting this thought, American political scientists have substantiated the rightfulness of the strategy of "neoglobalism" (cf. R. S. Litwak and S. N. MacFarlane, "Soviet Activism in the Third World," SURVIVAL, London, 1987, Vol 29, No 1, pp 34-35).

This position of the Soviet side and the American one has not only practically strengthened the confrontational trends in the world (this is already officially being admitted by the Soviet Union) but it also has distracted from understanding the nature of regional conflicts since it has ignored the profound objective processes that are

developing in the Third World—processes whose primary causes do not have any relationship to the opposition between the USSR and the United States. It is impossible to talk about the uncoupling of regional conflicts from blocs without understanding and considering these processes.

Now, a different and more realistic point of view on the nature of regional conflicts is being asserted.<sup>1</sup> The de-ideologizing of the world outlook in general and of the Third World in particular is the methodological key in reappraising positions. Without going into an analysis of the content of the concept of "de-ideologization" (this would take away from the subject of the present article), let us point out that—in this context—under "de-ideologizing" is not understood a rejection of ideology's right to exist. This would be absurd since, regardless of our desires, ideology as the consciousness and self-consciousness of definite social groups, parties and movements embraces all spheres of human activity, including, of course the international one. We are talking about the "cleansing" from Marxist ideology a class antagonistic world outlook that considerably narrows the real picture of social life in our time when the classes of a modern society, themselves, are being significantly modified and the total social effect is becoming more complicated in comparison with even the first half of the 20th century. Moreover, the limited vision of the Near East countries, whose development has always been outside the limits of classical schemas is an inadequate one. A de-ideologized understanding of the Third World today assumes a rejection of its identification with the arena of the struggle between the two social systems and the two opposing trends in social development and an understanding of its specifics and originality. Essentially, this means an objective investigation of this region and a return to the Marxist principle of the truth's historic specific nature.

If one tries to reveal the nature of regional conflicts from these positions, an affirmation of the Third World's internal potential conflict nature, which becomes significantly stronger after the gaining of independence, will be the main thesis. Its conflict generating potential is made up of several elements.

First of all, there are certain specific features of social relationships in the Third World: national, ethnic, religious, and class diversities; the tradition of the autonomy of political institutions; and religious fanaticism. Undoubtedly, this specific character is historically transient and connected with the general social backwardness of the liberated countries and the absence here of a formed civil society with its democratic tendencies. However, these features, which permeate the psychology of the masses, are still generating in them a social tension whose motives it is at times difficult to explain from the point of view of the European consciousness. Deeply affecting the interest of the local layers, they arouse them to bloody internecine dissension as, for example, in South Yemen in January of 1986 and in present-day Lebanon.

In this regard, one cannot agree with the point of view of V. Iordanskiy, who thinks that internal conflicts in the Third World have been contained for centuries by the fostered passivity of the individual (cf. V. Iordanskiy, "Further Research Is Necessary," MIROVAYA EKONOMIKA I MEZHDUNARODNYYE OTNOSHENIYA, No 12, 1988 p 125). The distinctive feature of Eastern conflicts consists of the fact that mass fanaticism is prevailing over deliberate action. From our point of view, G. Mirskiy is correct. He substantiates the idea that political violence will remain an integral element of the developing countries' political life for a long time to come and even the most profound and positive changes in the external world will hardly change anything in this regard (cf. G. Mirskiy, "Extremism, Terrorism and Internal Conflict in the Third World," MIROVAYA EKONOMIKA I MEZHDUNARODNYYE OTNOSHENIYA, No 8, 1988, p 73).

A second element is the economic and political consequences of colonialism, which are being primarily manifested in Asia and Africa today. Here are some of them. The economic lagging behind, whose foundations were laid during the colonial period, has placed the liberated countries into a position of being competitors "for a place in the sun." The numerous clashes between them based on economic motives come from this. The conflict between Angola and Zaire over border oil fields can serve as an example. Economic interests, which are connected with an outlet to the Persian Gulf, were present in Iraq's position in its war with Iran. The colonial past also lets itself be known in conflicts over borders, which arbitrarily divide nationalities and tribes. The consequences of the "divide and rule" policy, which established a privileged status for some local groups to the detriment of others, are also being felt. This gave birth, for example, to the protracted conflict in Sri Lanka between the privileged Singhalese and Tamils, who had been pushed into second place in the life of society and who did not wish and did not desire to reconcile themselves to such an abnormal position.

The next element is the social transformations during the postcolonial period. We are talking about the painful process of establishing their own economic and political structures for society, independent of the former mother country. In this regard, all of its layers come into motion. This aggravates traditional contradictions and gives birth to new ones connected with social differentiation. This period in the development of the liberated countries can be compared to the three-century period of national consolidation for the peoples of Western Europe and North America which was also marked by extreme political instability and an unbalanced character.

One must especially single out such a phenomenon of the post colonial period as the struggle for originality along the developmental path—a struggle that was most distinctly noted in Asiatic countries since the second half of the Seventies and which has received the title of "Islamic boom." It seems that one should not boil this phenomenon down only to the strengthening of Islam's role in

the life of these countries. It is broader both in content and geographically: We are talking about the movement to preserve the social and cultural specific natures of the Eastern countries and about defending them from any type of other nationality influences. This concerns Buddhist countries to the greatest degree. History has shown that artificially planted mature capitalist relationships ("the white revolution" in Iran) and barrack-like communist systems (Cambodia and Afghanistan during the rule of Amin) found themselves among those "torn away." It is also difficult to grasp the bourgeois democratic changes in the East. The carrying out of agrarian reforms by the Najibullah government, during which the peasants not only refused to take the land offered to them but also went on a holy "jihad" against the "false" government, is evidence of this in particular. The fact that ownership of the land is sacred and that not even a brother can take a shovel-full of land from a brother without mutual agreement, was not taken into consideration (cf. PRAVDA, 24 August 1988).<sup>2</sup>

Such a factor as the social and class contradictions, which exist in the relatively developed (in comparison with the Eastern) Latin American countries, is also important. At the base of these contradictions is the struggle for the democratization of social life as a condition for progress (the civil conflicts in Central America and Grenada). Under certain circumstances, the nature of these movements can go beyond general democratic and antifeudal limits and acquire anticapitalist features as, for example, in Nicaragua. This type of conflict is deeper than the social and cultural contradictions in the muslim East and are more difficult to solve using peaceful means.

Another factor is the national liberation and antiimperialist struggle for political independence. Two large areas of national liberation struggle: the Arab lands occupied by Israel and Namibia, remained until recently in the world. A third—Panama, which is waging a struggle against the United States for the return of its territory in the canal zone, has now been essentially joined to them.

This is the complex of internal factors which lie at the base of regional tensions in the Third World. In reality, the factors noted strengthen each other by intersecting. Generally speaking, one can talk about the dependence of conflicts on the development of the Third World countries. Internal stability requires long-term and deep changes in the developing countries.

The thesis that the situation in the developing countries is determined by the conflict between capitalism and socialism, which is still being maintained in our consciousness, interferes with an understanding of Third World problems and the practical actions to resolve them that correspond to this understanding. One cannot say that this thesis was born in a barren place. The conflict between the social systems really began to be transferred actively to the Third World during the Sixties. Our side considered its duty to be to expose the

expansion of capitalism there in any way possible. The West, in turn, regarded local democratic movements with apprehension, frequently seeing "Moscow's intrigues" in them. Thus, the Third World's internal problems, including conflict situations, were included in the context of a global confrontation. As a rule, this contributed to intensifying the conflicts and hindered their resolution.

E. A. Shevardnadze points out that today's regional conflicts "while breaking out for different reasons and developing for different reasons .... preserve one common conformity to natural laws, viz., they last for an invariably long time, without permitting any positive political result" (PRAVDA, 28 September 1988, p 4). This is explained by the fact that the participation of Third World countries in the conflicts, which arise on local soil, inevitably lead to their internationalization and frequently to the introduction of ideological directions that are alien to these conflicts and that are borrowed from the arsenal of the debate between capitalism and socialism. The participants in the conflicts cease to proceed from a local balance of forces and interests and try to change them forcibly in their favor, relying on support from outside (cf. A. Kolosovskiy, "Regional Conflicts and Global Security," MIROVAYA EKONOMIKA I MEZHDUNARODNYYE OTNOSHENIYA, No 6, 1988, p 36).

In this regard, those participants in the conflict, who are less capable of compromise and dialogue, often appeal for outside help. (Incidentally, the refusal to compromise is not always a sign of strength, the more so in a modern multivariant social process.) It is this help from outside that often takes the place of internal social support for the clashing sides, artificially supporting their viability and, consequently, also prolonging the conflict in which they are participating. In this regard, the present situation in Nicaragua and the situation in Afghanistan at the end of the Seventies and beginning of the Eighties is revealing. Not having any positive program except the removal of the Sandinistas from power, the Nicaraguan Contras are living on American "humanitarian" aid. In Afghanistan, a domestic policy was being followed, which a significant part of Afghan society opposed, and the government was forced to resort to the Soviet Union's support. Evidently, the situation in Afghanistan is now a different one. The realism of the Najibullah government's domestic policy is radically—although not quickly—changing the attitude in the country in favor of national reconciliation, isolating the "irreconcilable" opposition. The same conformity to natural laws is again appearing: The one, who loses domestic support, particularly gravitates toward external assistance. The result—bloodshed which has already gone on for ten years.

Yes, the system of "client" relations with Third World countries has a reverse side even for the great powers themselves. There are quite a few examples where a state, which provides military aid, turns out to be a hostage of its allies since the commitments between them

limit, for example, opportunities to preserve the life of their own servicemen and equipment.

In this regard, I would like to express some considerations on why the Soviet Union along with several other socialist countries was a participant in the struggle for a sphere of influence in the Third World. In principle, this contradicts the nature of socialism. In our view, under the objective circumstances (the aggressive imperial actions of the capitalist centers in the developing countries, etc.), the class antagonistic vision of the world, itself, led to the socialist countries accepting the "rules of the game", which were suggested by imperialism, although they were guided in this by different purposes. In practice, however, the goals drifted apart from the results: The policy of the United States and the Soviet Union often evoked a protest in the Third World against a certain common enemy in the person of the "rich North."

Let us point out, however, that one should not identify the Soviet policy with the "export of revolution" to the developing countries as we sometimes do in the heat of self-criticism. The strengthening of the Soviet presence in the Third World during the Seventies coincided—although not coincidentally—with the independent revolutionary upsurge in these countries which was connected with the serious changes in the world capitalist system. The Soviet presence (just as the activity of Cuba, the GDR and several other socialist countries) rested on authentic social processes and domestic political forces; however, the viability of the latter and the correspondence of their positions to the objective tasks in the development of their countries were not fully taken into consideration. Political sympathies primarily thrived on the basis of adherence to a class confrontational world outlook regardless of the sphere of its application—from the situation in tropical Africa to Soviet-American relations. The conformity of this position to Marxism-Leninism did not evoke any doubts.

Meanwhile, the dogmatizing of several Marxist appraisals of the international situation at the beginning of the 20th century occurred in this regard. On the eve of and right after the October Revolution, V. I. Lenin said that the "entire world system of states" and the "mutual relations between peoples" are determined by imperialism's struggle against the Soviet movement; "we will exert every effort to become close friends and join together with the Mongols, Persians, Indians, and Egyptians. We consider it to be our duty and to be in our interest to do this since socialism in Europe will not be durable otherwise" (V. I. Lenin, "Polnoye sobraniye sochineniy" [Complete Works], Vol 41, p 242 and Vol 30, p 120). This accurately reflected the state of the world's social development at the time. Political instability and a confrontational nature were engendered in the world at the turn of the century by the very formation of the world capitalist system which created centers of tension and the maturing of the revolutionary situation and not in the most developed of its links. The "awakening" of Asia, which it seemed was joined with the revolutionary struggle of the proletariat in the developed countries and supported it, flows from this. However, even at the start of the Twenties, V. I. Lenin proposed the

concept of a new economic policy with which the development of the idea of peaceful coexistence and its interpretations as reflections of the deep processes of our age were inseparably linked.

Today, socialism's fundamental interest cannot fail to change in a world where integration processes are growing. Socialism must primarily reveal its essence more fully and this will contribute to the strengthening of its position more than searches for "class" allies in the Third World where classes have still not been formed.<sup>3</sup> Otherwise, the danger of a loss of reputation by socialism can arise in the modern civilized world (cf. MEZHDUNARODNAYA ZHIZN

When examining the mutual relations between the developed countries and the developing ones in the context of the modern international situation, one must not absolutize the negative aspect of this process at the same time. The developed states' participation in the affairs of Third World countries also has a positive content which is determined by the deep cultural, historical and economic ties of the developed countries with the Third World (we are primarily talking about the capitalist countries). It is hardly correct to say that they are factors in the destabilization in this region and that they "stand in the way of progress" (cf. V. Gerns and R. Shtaygervald, "The Democratic Alternative and Antimonopolist Strategy," KOMMUNIST, No 4, 1989, p 81).<sup>4</sup> However, there is a problem and its solution—at least at a theoretical level—is seen in defining the conditions under which the participation of the developed states, including the socialist ones, in Third World affairs will have a positive nature and not become the capitalizer of tensions: first, this participation—whether it is economic, political or cultural—should not subordinate the region's interest to the purposes of global confrontation; second, when talking about support for any regime, it should have its own vital forces.

In this regard, the question of military assistance to developing countries, which is supplied to one of the conflict participants, deserves special attention, following the general logic in uncoupling regional tensions from blocs, it would seem that it is necessary to recognize its negative role in developing regional situations. Actually, in the modern world where mutual distrust has not been overcome, any use of foreign military potentials in local conflicts inevitably causes irritation and suspicion both in that region and in the world community in general even if these actions are connected with the defense of sovereignty and the repelling of foreign aggression, i.e., are within the framework of the UN Charter. For example, the participation of Vietnamese volunteer forces in the Cambodian civil conflict not only aggravated the situation in Southeast and East Asia but also had a negative effect even on Soviet-Chinese relations. In this connection, the rejection by "foreign forces" of unilateral actions in connection with the expansion of conflict situations has great importance (cf. Ye. Primakov, "Soviet Policy in Regional Conflicts" MEZHDUNARODNAYA ZHIZN, No 5, 1988, p 8).

However, if we return to the situation in Cambodia, then the correctness of the decision of the two friendly states is absolutely—in our view—unquestionable from the point of view of the Cambodian people's interests. Let us point out that only the Cambodian people's interest, almost half of whom were killed by the monstrous genocide of Pol Pot and Heng Sari, and not the interests of the USSR, China or any other country can be the criteria for justifying this political step. The genocide was halted and peace is being restored in Cambodia and the area around it. However, foreign military assistance far from always provides such results. The Soviet forces in Afghanistan, Syrian forces in Lebanon and American military deliveries to the mujahidin were not a factor which contributed to the very rapid resolution of the conflicts.

That is why, without altogether negating bilateral agreements on military assistance, one can say that the question of its advisability must be solved in each case specifically. In this regard, the role of an arbitrator, who takes into consideration both local interests and the global tensions still existing in the world, should belong to international agencies. It seems that their role as an arbitrator should be established in the appropriate articles of the UN Charter which allow bilateral military agreements (for example, Article 51). As yet, they only require the Security Council to be informed post facto about joint military actions by two countries.

If we are talking about general principles in uncoupling regional conflicts from blocs, then, of course, it is more preferable to avoid foreign military participation in them just as any other outside interference, i.e., insure a freedom of choice for each people. This is the first condition. The second consists of halting military actions and achieving a political compromise between the local participants in the conflict. Both of these conditions require a considerable strengthening of the role of international agencies. Essentially, this process is already underway (the Geneva Agreement on Afghanistan and the UN mediation functions in resolving the Iran-Iraq and Namibian questions). One must mention that the USSR position in this respect has radically changed during recent years towards recognizing the role of collective measures to insure security in any region of the world. The proposals on Afghanistan, which M. S. Gorbachev proposed at the United Nations in December 1988, in particular, are evidence of this. They contain the idea of using a contingent of UN forces to maintain peace while a government is being formed and the idea of convening an international conference very rapidly on the neutrality and demilitarization of Afghanistan (Cf. M. S. Gorbachev, "Vystupleniye v Organizatsii Obyedinennykh Natsiy, 7 dekabrya 1988" [Speech to the United Nations Organization on 7 December 1988], Moscow, 1988, p 20). At the same time, opportunities for international mediation, including through the United Nations, are still limited.

The contradictions within the United Nations, especially in the Security Council where the rule of unanimity by the permanent members exists, are a serious obstacle here. A clear example of this is the violation of the Geneva

agreements by the United States of America and Pakistan. Sessions of the UN Security Council examined the question of Pakistan's direct military interference in Afghan affairs during April 1989. The purpose of the sessions was only to develop an official position and bring it to the attention of the world community. It did not manage to do this because of U.S. opposition.

The use of compulsory measures against an aggressor in the interest of collective security, which is provided for by the UN Charter, is even more unrealistic. The United Nations Organization has still not been able to provide important economic assistance to the victims of aggression and racism. The United States, even though it was a mediator in solving the Namibian problem, has refused to allocate assets to the UN fund for maintaining peace in this region. Material assistance for long-suffering Afghanistan along UN lines comes most frequently from the Soviet Union. This means that the role of international agencies in the process of removing regional conflicts from blocs greatly depends on the mutual understanding between the great powers. That is why a "code of conduct" for the great powers in regional conflicts has been repeatedly formulated in different versions (cf. Ye. Primakov, "Soviet Policy in Regional Conflicts," MEZHDUNARODNAYA ZHIZN, No 5, 1988, pp 8-9; A. Kislov, "New Political Thinking and Regional Conflicts," MIROVAYA EKONOMIKA I MEZHDUNARODNYYE OTNOSHENIYA, No 8, 1988, pp 46-47; "Studies of War and Peace," Oslo, 1986, pp 189-191; etc., ".

Kissinger introduced this term into political phraseology at the beginning of the Seventies. However, effective cooperation and the finding of a "common denominator" in regional policy is still a matter for the future. Let us cite the delivery of arms to the Third World by the great powers, which is still at a high level, as confirmation. According to the thinking of A. Kolosovskiy, the question of arms deliveries is the touchstone on which the depth and sincerity of this newness in policy are being checked, and is, at the same time, the most stable element in the old approaches (cf. A. Kolosovskiy, "Zones of Risk in the Third World," MEZHDUNARODNAYA ZHIZN, No 7, 1989, p 48).

It is clear that mutual concessions and compromises are required at both the global and regional levels. Without going into a detailed analysis of this problem, let us point out one interesting—in our view—consideration which has been expressed in our literature. A. Kozyrev and A. Shumikhin think that the path of compromise assumes a conscious rejection by each great power of actions that can be interpreted as "infringements on the traditional geopolitical interests of the opposite side" (A. Kozyrev and A. Shumikhin, "The East and West in the Third World" MEZHDUNARODNAYA ZHIZN, No 2, 1989, p 77). At first glance, it may seem that the old idea of dividing the world into spheres of influence is being brought back to life. However, if one has in mind the objective involvement of the developed countries in Third World affairs, then, an appeal not to go against objective reality is contained here. However, in order to avoid ambiguity, let

us point out that only relations that are mutually beneficial for the developed and developing countries can be regarded as traditional relations worthy of international respect. For example, U. S. interests in Panama or Nicaragua cannot be related to them.

Thus, the cardinal solution of the problem of uncoupling regional conflicts in Third World countries from blocs requires a deep analysis. This is a matter for the future. Even in those cases where one manages to achieve a cease-fire, such sharp contradictions are frequently preserved between the participants in the conflicts that peace hangs by a thread as is happening, for example, in the Iran-Iraq conflict. Only the war's back-breaking burden forced the Ayatollah Khomeini to decide in the summer of 1988 to halt military actions against Iraq. This decision, however, was for him—according to his own admission—"more painful than a cup of poison." The second year of the armistice is underway; however, the sharpness of the contradictions in this conflict have not been reduced. The Ninth Conference of Heads of States and Governments of the Nonaligned Countries, which took place in September 1989, confirmed this. The constantly heightening crisis in Lebanon is also an example of a "dead-end" situation that has its roots in local contradictions.

In connection with this, the objective trends in modern international development are still playing the main stimulating role in the process of settling regional conflicts. First, the concept of the hopelessness and danger of military methods to solve controversial questions is growing in the world, including among the direct participants in conflicts. Several participants in conflicts have shifted to a political dialogue: a cease-fire has been recorded on the Libyan - Chad border and political contacts between the opposing forces in Ethiopia and Angola have started. Second, against the background of the strengthening integrating processes, the barriers, which separate countries (especially Third World ones), more and more are opposed to the interests of development. In this regard, the planned changes in the political policy of Thailand—a state on whose territory the Khmer opposition is based—is characteristic. Domestic political instability has begun to threaten the vitally important international economic ties of this country. This served as the reason for beginning a review of its political policy. The process of economic integration has also created preconditions for noticeably reducing the level of confrontation in northwest Africa where the Union of Arab Magrib arose in February 1989 to coordinate the region's development.

The growing regional self-awareness, which is being displayed by the establishment of associations of states in highly explosive regions to solve their problems, can play a large role in realizing the noted objective trends. The Contadora and Djakarta processes and the activity of the front-line states in south Africa and the Arab countries in the Near East are an example. It is noteworthy that these processes combine states of different social and political orientations who are defending the right to develop free from external interference, which is the main right for all

of them. These joint regional actions are already supplementing and replacing the activity of international mechanisms where the latter are slipping. The international conference on Cambodia in August 1989 did not provide a positive result in contrast to the regional meetings of the participants in the Cambodian conflict that preceded it. It is possible that this form of resolving regional conflicts is for the future and the international community must contribute to it in every way possible.

#### Footnotes

1. Cf. M. S. Gorbachev, "Perestroyka i novoye myshleniye dlya nashey strany i dlya vsegoto mira" [Restructuring and New Thinking for Our Country and for the Entire World], Moscow 1988, p 179; G. Mirskiy, "Extremism, Terrorism and Internal Conflict in the Third World," MIROVAYA EKONOMIKA I MEZHDUNARODNYYE OTNOSHENIYA, No 8, 1988; A. Kolosovskiy, "Zones of Risk in the Third World," MEZHDUNARODNAYA ZHIZN) Problem of Their Removal From Blocs," LATINSKAYA AMERIKA, No 1, 1989.

2. Let us point out in this connection that Zia ul Khaq, the former president of Pakistan, combined the traditional and the modern in the life of his country together very skillfully. That is why he ruled the country longer than any of his predecessors without overcoming a single crisis of authority and insuring a relatively stable rate of growth for the Pakistan economy (cf. on this: AZIYA I AFRIKA SEGODNYA, No 4, 1989, pp 33-37).

3. In this connection, the charges against the Soviet Union by some figures in the national liberation movement that it betrayed their interests to please restructuring and the relaxation of tensions in the world, are groundless.

4. Let us point out that the deeper historic ties of the European capitalist countries—than those of the United States—with the Third World make their regional policy more guarded and correct with respect to local interests although the general line of conduct also coincides with the American one. In April 1986, France refused to allow American bombers, headed for the Libyan coast to use its airspace, stating that the American action would inevitably "evoke a chain reaction of violence." True, France itself shortly afterwards accepted limited participation in the Anti-Libyan EEC sanctions. At the present time, England is exerting efforts to confirm itself in the role of peacemaker on the African continent. The American assistance to the Angolan antigovernment UNITA group and to the Nicaraguan Contras (but not to the Afghan mujahidin) is being sharply criticized in Europe.

**Western Assessments of Joint Ventures with Soviets Viewed**

90UF0007A *Novosibirsk EKONOMIKA I ORGANIZATSIIA PROMISHLENNOGO PROIZVODSTVA (EKO)* in Russian No 2, 1990  
pp 69-81

[Article by A. I. Izyumov, candidate of economic sciences, USSR Academy of Sciences Institute of the United States and Canada, under the rubric "Viewpoint": "Joint Enterprises in the USSR: The View from Across the Ocean"]

[Text] The USSR's Western partners in joint enterprises (SP's) depend on the expansion of markets for selling goods, services, and technological know-how, as well as assembly components and equipment produced at the parent company's enterprises. It is important to them that the profitability of transactions in the USSR be no lower than in their own country and in other countries where the firm has branches. However, as the prominent American expert on the Soviet economy J. Huff notes, "Soviet partners frequently do not understand that any American corporation can get 9.5 percent annual interest fairly easily by investing in government bonds at home. It makes no sense for them to invest money in the USSR if the rate of profit there is lower."

Their desire to prolong the life of goods and technologies which are already somewhat outdated for developed Western markets and have ceased to be sufficiently profitable is also of no small importance. Foreign entrepreneurs hope that the advantages of investing capital in the USSR will help insure costs and quality of output which make it compatible on the world market too. Usually named among these advantages are the vast Soviet market with undemanding consumers, the abundance of relatively cheap raw materials and energy, cheap work force, and well-developed scientific potential in some areas of technology and science.

According to Western calculations, in USSR industry the real average wage is one-fifth of that in the United States while labor productivity is 40-60 percent of the American level. So, the relative costs for work force per unit of finished output in the Soviet Union is two-fifths of that in the United States. A substantial plus for competitiveness! The same correlation for highly qualified scientific cadres is even more indicative. Western businessmen acknowledge that hundreds of Soviet programmers work at the level of world standards but receive less than 10 percent of their foreign colleagues' wage.

Our country's proximity (as compared to China and Southeast Asia) to the huge West European market and its reliability as a business partner, which has been proven over the years, are also attractive.

A survey of 238 large American corporations conducted in 1988 showed that of 106 firms which already had economic ties with the USSR, 100 consider it a reliable

partner and 92 would like to continue to develop business relations even further. Of 132 companies which did not yet have contacts with our country 50 had similar intentions. A sober evaluation of the difficulties of conducting business transactions in the USSR has an effect. Overall the American entrepreneurs surveyed put this sphere of capital investment at the "average level of preference" among foreign countries.

But what goals do Soviet partners in SP's pursue? In the opinion of Western specialists, they want to attract leading foreign equipment and technology and progressive know-how in organizing and managing production, to increase hard currency receipts, to reduce expenditures for imports, and to expand production of goods and services to satisfy the needs of enterprises and the population.

Western businessmen note that when joint enterprises are created Soviet partners frequently are short of economic common sense. The impression is given that they think exclusively of the joint enterprise's immediate hard currency receipts and do not understand that progressive technology and management know-how is more important to their enterprises and the country as a whole than than short-term increases in hard currency receipts. It is difficult to disagree with the Western critics. I studied joint enterprise experience in China from 1980-1988. In evaluating the activity of joint enterprises in the initial period, the Chinese deliberately allowed low hard currency return and even unprofitability of many joint enterprises, relying on the transfer of technologies and know-how. This approach was justified. Of the 6,000 joint enterprises which operated in China in 1988, 2,600 already had hard currency profit and their contribution to the country's exports was estimated at 1.7 billion dollars a year.

In addition, American entrepreneurs believe, many Soviet economists and ministry workers continue to see the SP partner as an adversary and think they must "squeeze" a little more out of him and try not to give any concessions at all. "Business is business," a Canadian businessman said to me in conversation, "but for any deal to be successful not only you but your partner too must be satisfied, so you can't get by without compromises."

The American jurist and specialist on joint enterprises Alan Sherr writes in the business world journal COLUMBIA JOURNAL OF WORLD BUSINESS: "Despite the perestroika rhetoric and the appeals of Gorbachev and other leaders to take advantage of the new opportunities, Soviet ministries and enterprises are being very passive. For now it is namely the Western firm which is taking the first step to create a joint enterprise and it frequently has to substantiate the advantages and effectiveness of the project." If this evaluation is correct, then the situation is really paradoxical: we have opened the borders to Western capital and are actively inviting foreign partners, but even so we

cannot clearly formulate exactly what we need and we hand that job over to the foreigners.

Unfortunately, both Soviet and Western partners at times forget that the joint enterprise they have set up has its own goals which may at some point even contradict the interests of its founders. For example, an extremely important goal of a joint enterprise, increasing exports, may conflict with the interests of a parent company which sells similar output in the same international markets. The same thing is also possible in the USSR domestic market, if the quality and price of goods produced by the joint enterprise forces the consumers to reject the output of other enterprises of the parent ministry or association.

Here is another example. The Soviet side usually tries to set the proportion of its contribution to charter capital too high. The Western partner responds in the same way. As a result this capital is artificially inflated and even high profits look extremely low in comparison with it. But in the West a low profit norm is considered a sign of poor financial health and even grounds to close the enterprise.

There are quite a few difficulties for foreign entrepreneurs in conducting business transactions in the USSR. Take just legislation in the area of the creation and operation of a joint enterprise. In their opinion, it is too rigid and vague. In particular, in the USSR the legal status of free economic zones and enterprises with all foreign capital is not defined, control by central organs over the creation of a joint enterprise is extreme, there are no agreements on protecting investments, the tax for repatriation (exporting) of profits is extremely high, and certain spheres of the economy (banking, for example) are completely closed to a joint enterprise.

For example, in China a company can be set up with 100-percent foreign ownership and the tax for repatriation of profits is half that in our country (10 as opposed to 20 percent). Moreover, the overwhelming majority of joint enterprises there operate within free economic zones where the direct tax on profits is not 30 percent, but 10-15 percent (in our country it is 30 percent everywhere).

Western entrepreneurs also see some pluses in the vagueness of legislation, since there is the possibility of maneuvering and mutual agreement.

#### **The Finances of Joint Enterprises**

The stumbling block during the formation of charter capital is the unrealistic exchange rate of the ruble. Because of this the Western partner's contribution to the joint capital (in material and particularly monetary form) is set too low and the Soviet partner's contribution unjustifiably set too high. Western businessmen complain that in the USSR the state and enterprises enjoy a monopoly and frequently resort to "currency blackmail": the payment for lots of land and rent is set in mythical hard rubles, and even at the level of high world

standards. For example, the rental rate for buildings and land in Moscow is oriented to the high rates of New York.

In response Western participants in joint enterprises try to set their material contribution (price for equipment, technologies, and assembly components) too high and minimize the cash contribution in hard currency. Thus, a consortium of American corporations headed by Occidental Petroleum which concluded an agreement to build a petroleum chemical complex costing 6 billion dollars with the Ministry of Petroleum Industry was obliged to invest only 200 million dollars in the joint enterprise (about 3 percent of its total cost).

If the problems of forming SP charter capital are not resolved in the near future, difficulties are inevitable; since Western partners minimizing their investments makes the investment and expansion of production more difficult, increases costs for loans, and leads to irrational economic decisions. That is what foreign experts think.

Methods of determining expenditures and results of production at Soviet enterprises also differ from Western methods. But the amount of profits depends directly on how costs are determined. Foreign specialists have a particularly large number of questions related to calculating depreciation and payments into the reserve fund. Among others, how long does it take before the cost of equipment can be written off, can that be accelerated, and are depreciation deductions in hard currency compulsory for the equipment that is bought abroad? Deduction of depreciation payments in hard currency reduces opportunities for the SP foreign partner to repatriate hard currency profits.

An extremely important indicator of SP activity is the level of profitability. For the Western entrepreneur, profitability which is at least as high as the profitability of similar operations in his own country is considered satisfactory. But to achieve the level corresponding to that in the USSR is not easy under the present system of distribution of profits of a joint enterprise and taxation of them.

One of the American studies cites a theoretical example of distributing profits of an average joint enterprise operating in the USSR which has a ratio of capital of foreign and Soviet participants of 49:51. For every 100 dollars of gross profit the enterprise must deduct 20 dollars into the reserve fund and for depreciation, it must pay 24 dollars in the form of a tax into the budget and 5 dollars for a tax on repatriation of profits, and 29 dollars is due the Soviet partner, and 22 dollars—the foreign partner. In many cases, in the opinion of American experts, this structure can lead to a situation where the profitability of the operations of the enterprise itself for the Western partner becomes lower than the profitability of the sale of its equipment and assembly components intended for the joint enterprise's basic output. And hence, that partner has more interest in boosting these sales through its joint enterprise than it has in the

financial success of this enterprise, since its share of profits in the sales of the SP basic output will turn out to be lower than in sales of assembly components. The undesirability of this situation for the Soviet side is obvious, especially since in this case the foreign partner has an interest in setting prices for its assembly components higher in order to extort hard currency from the joint enterprise.

In making investments abroad any company makes a proviso for the possibility of liquidating the joint enterprise and taking back its capital without losses (or with minimal losses). For the time being there is no clarity on this question in the USSR. "Foreigners fear," writes the American Professor J. Huff, "that at any moment the Soviet government will decide to nationalize their enterprises and offer only insignificant compensation in exchange." Such fears are widespread among small and average entrepreneurs who do not have the experience of business contacts with us. One would not say this about the veterans of Western business with the USSR who formerly specialized in intermediary and trade transactions. But even they do not hurry to invest their own capital in long-term investment projects of joint enterprises. Why? An important reason is that Soviet legislation does not clearly define the liquidation value of the joint enterprise after it ceases to operate.

In the West in such cases the enterprise assets are sold at the market price in accordance with demand. That in turn depends on the enterprise's success before it closed. If its activity was profitable and the prospects for the new owner are good, the market price may be many times higher than the balance value. The difference between them (after taxes) goes to the seller. But in the Soviet statute on the joint enterprise, investments are supposed to be evaluated at the initial cost after depreciation. Hence, owners of a successfully operating joint enterprise suffer great losses when they sell it. Such a prospect suits few people.

#### Circumventing the Inconvertibility of the Ruble

No entrepreneur wants to operate at his own loss. The need for foreign currency, which is used to supply joint enterprises with imports, to pay wages to personnel in hard currency, and to repatriate profits, must be completely covered by export sales or hard currency deals within the USSR. The possibility of repatriating profits in the national or freely convertible currency is a mandatory condition of any agreement on a joint enterprise. The following unspoken criterion operates in this sphere: if in 2 years the joint enterprise cannot provide the foreign partner repatriation of its share of the profits then that partner has a right to raise the question of leaving the joint enterprise.

Until the ruble becomes convertible, the problem of repatriating profits will inevitably hinder growth in the number of joint enterprises and the volume of their operations. Experts mention six ways which make it possible to circumvent the inconvertible ruble.

The first is work for the hard currency market, where part or all of the SP output is paid for by foreign consumers in hard currency, even on USSR territory. When the SP output is competitive on the world market, the hard currency question resolves itself. However, there are few spheres of production where joint enterprises set up in the USSR can immediately emerge on world hard currency markets. One of them is the sale of computer programs developed by Soviet mathematicians and programmers, and another is tourist business and other services offered to foreigners living in the USSR (restaurants, car repair, and others).

The constant shortage of such services together with the Inturist monopoly make it possible to obtain large hard currency receipts here even with so-so quality of services. The last circumstance is a definite plus for joint enterprises in this sphere. The minus, as is noted in the West, is that the domestic hard currency market in the USSR is very limited. Moreover, the state will hardly allow foreign companies to occupy a significant place in it by surrendering "easy hard currency" to them.

The second way is to repatriate currency through barter deals. It was used in trade relations in the USSR long before joint enterprises were allowed. Now its content is slightly modified in view of the joint character of production. A graphic example of the use of "raw material compensation" is joint enterprises with the participation of the American firm Combustion Engineering. It is expected that the equipment and technology being delivered by this firm to Ministry of Petroleum Refining and Petrochemical Industry enterprises will substantially increase labor productivity at those enterprises. The services of the American partner will be paid for in the form of petrochemical products (from this increase).

The value of this method of obtaining hard currency on the Soviet market for Western firms is obvious: raw materials can virtually always be sold for hard currency. But there are difficulties here too. First of all, world raw material markets are unstable and their prices can change sharply to the exporters' loss. Secondly, inasmuch as in recent years the USSR has been taking a more cautious approach to exporting natural resources, preservation of the joint enterprise's right to export them unimpeded cannot be guaranteed for the near future, in the opinion of businessmen. Moreover, the export of raw materials is a relatively easy matter, and those Soviet enterprises and ministries which are engaged in the appropriate sectors do not much need partners with whom they would have to share profits.

The third method of circumventing the inconvertible ruble is to produce goods to replace imports. For Soviet enterprises with hard currency, obtaining such output from joint enterprises is preferable if it meets world standards in terms of quality and the prices for it are lower. But even with identical prices such purchases from joint enterprises have advantages over imports

from abroad through savings on transport costs and customs duties and theoretically better conditions of postsale service.

The advantage to foreign entrepreneurs of investing capital in the production of output to replace imports is that there is a very substantial market here, limited only, it would seem, by the volume of hard currency which Soviet clients have. However, most joint enterprises being set up in the USSR will hardly soon reach the quality of production which exists in the West. Therefore it will be a long time before they can successfully compete "for the dollar of the Soviet buyer." But even after achieving the proper quality, Western partners may prove to be the loser if the SP output competes with similar goods which the parent firm exports to the USSR. Some entrepreneurs hope that they will be able to obtain hard currency compensation for output produced in the USSR which our country buys abroad on a centralized basis (grain, medicines, and the like). Skeptics believe that such hopes are unfounded. "The USSR still cannot calculate the profit from replacing imports or increasing the country's export potential through the activity of joint enterprises," notes a report on joint enterprises in the USSR prepared by the American Association of Managers. "There is not even an adequate mechanism for rewarding Western partners in joint enterprises which can provide these benefits."

The fourth method for a joint enterprise to obtain hard currency is to set up unions with shared hard currency pools; in this case joint enterprises working primarily for the "ruble market," that is, not receiving hard currency or not receiving a sufficient amount to repatriate profits, unite with others which have greater hard currency revenue than their own repatriation needs. By agreement the latter share the "extra" hard currency and thereby allow the partners with an insufficient amount of it to ensure self-financing in hard currency. The union of the American trade consortium may be cited as an example (6 large U.S. corporations—Chevron Oil, Johnson and Johnson, Archer Daniels Midland, Eastman Kodak, Mercator, and Nabisco) and a Soviet one (22 Soviet enterprises of various sectors). In this multisector super-consortium only oil production and oil refining will provide hard currency. The Chevron Corporation will be involved in that. Its receipts are to cover the hard currency needs of the rest of the consortium's participants whose output will be sold exclusively for rubles.

Time will tell whether such an approach is effective. But even now the stumbling blocks of such complex combinations are visible. The main one is the unrealistic ruble exchange rate, which deprives those who have hard currency of any incentive to exchange it for rubles. In private conversations businessmen express the hope that joint enterprises will exchange hard currency at a contract rate rather than at the official rate and that soon currency exchanges for all enterprises and cooperatives will appear in the USSR.

The fifth method is for the Soviet partner to transfer its share of hard currency receipts to the Western partner. It is realistic only when the output of the given joint enterprise is especially valuable to the Soviet side. And here the problem of the ruble's unrealistic exchange rate arises in all its magnitude.

The sixth method is to accumulate income in rubles in expectation of a convertible Soviet monetary unit. In the opinion of American specialists, this is the most risky of the methods listed. Nonetheless, some businessmen do not consider accumulating joint enterprise revenue in ruble accounts to be entirely hopeless. The amounts of these accounts have grown substantially recently. Whether these hopes are justified or not will depend on the prices of hard currency in rubles when their direct mutual exchange is allowed on any significant scale.

#### Bureaucratism and Management Sophistication

In the West the inconvertibility of the ruble is considered the No 1 obstacle on the path of the development of joint enterprises, while the No 2 obstacle is bureaucratic impediments and the low level of management sophistication in the USSR in general. "Soviet ministries and departments are sadly notorious for the fact that interaction among them operates from the top down and is not adapted to horizontal contacts," writes the COLUMBIA JOURNAL OF WORLD BUSINESS. "The system of vertical management seriously hampers negotiations on joint enterprises, since any intersectorial project must repeatedly find agreement in various ministries. The 'confrontational attitude' of those Soviet participants who see the potential partner as a virtual adversary also has an effect. Since income must be shared with him, he must be 'pressured' to the utmost when the SP operating conditions are defined. As a result negotiations with Soviet representatives become an agonizing experience."

Although in recent years the situation here is changing for the better, progress often comes to naught because of the great confusion in higher management echelons involving organizational changes and extensive personnel turnover. "The old system," noted a West European businessman with a great deal of experience in conducting business in the USSR in talking with me, "was inflexible and inefficient, but we knew what official was responsible for what and whom to turn to on a particular issue. Now the disposition of personnel changes almost every month." The fact that many "higher bureaucrats from the economy" do not themselves believe in the future of joint enterprises also has an effect. "There are top-class managers on the highest level in the USSR," writes the American business world journal FORTUNE, "but some deputy ministers seem to be more day laborers who latch onto new slogans without being convinced these slogans are correct and without any concept of further paths of development." At times their concealed hostility can be felt; it is rooted, obviously, in ideological stereotypes of the past.

Foreign experts consider the corruption among Soviet officials a serious problem of business relations. Instead of normal business practice, where useful and skilled intermediary services are officially paid for on commission, in the USSR a system of gifts, treats, and other forms of hidden bribes to officials operates. Some businessmen have even formed the opinion that corruption among Soviet officials is greater than in Latin American countries, which are recognized as world leaders in this area.

In addition to "external" obstacles, numerous bureaucratic obstacles within joint enterprises exist. They are related for the most part to the low quality of management. Western experts mention the extremely inadequate skills of Soviet managers. As a rule they have no special training or concept of Western methods of conducting business, of concepts such as calculated cost, interest rates, and the currency exchange rate and are unfamiliar with competition, real advertising, and bankruptcies.

Soviet managers are fearful of independent decision-making and try to avoid risk and responsibility and to turn them over to a higher-ranking organ. Such traditions are clearly manifested, for example, in methods of carrying out financial reporting. "In Western companies financial documentation is prepared so as to serve above all as a starting point for decision-making," emphasizes the American jurist Alan Sherr. "In the USSR its main purpose is for reports to higher authorities." From the viewpoint of their Western colleagues, Soviet partners endeavor to make too many decisions on the joint enterprise through the council of directors, trying to get unanimous approval. Valuable time is spent on this and the initiative of line managers is constrained.

#### **Labor Relations, Supply, the Infrastructure, and Information**

Most specialists believe that the same methods of selecting personnel are acceptable in the USSR as in other countries, to wit: preliminary testing, a probationary period before the contract is concluded, and contracts for 2-3 years with subsequent extension or termination. Severance pay should be envisioned upon termination and an agreement should be made with the state organs to support the person discharged while he searches for a new job.

For example, in the free economic zones in China, responsibility for paying unemployment benefits to persons who have lost their contract at a joint enterprise is entrusted to a special state corporation, and the benefits last for 6-12 months.

In order to insure the high intensity and quality of labor, the wages of SP personnel should be substantially higher than those of workers in comparable Soviet enterprises. How can this be achieved? Experience shows that Soviet SP workers are not particularly excited to have wages increased by a factor of 2-2.5 when simultaneously labor

intensity and discipline substantially increase as compared with our traditional standards. But raising wages to 1,000 rubles a month and higher, first, must be justified by high production efficiency and, secondly, generates protests by those working in the state sector who see this as a violation of social justice. In particular, some people in the leadership of the State Foreign Economic Commission under the USSR Council of Ministers have spoken out to the effect that Soviet directors of joint enterprises should in principle have no right to receive a higher salary than a minister, since they manage only a particular enterprise rather than a sector.

Some experts propose to follow a different path: allow Soviet personnel to buy scarce imported goods for rubles through, let us say, stores like the hard currency "Berezka" stores, instead of increasing their monetary wages so much. More cautious foreign observers warn that such special supply outlets would give rise to strong antagonism between SP personnel and their "less fortunate" colleagues working in ordinary enterprises.

At the present time there are few joint enterprises and a preferential supply system is made available to them. But what about the future? "Western partners," writes the prominent American specialist on the Soviet economy E. Hewitt, "will depend completely on their Soviet colleagues to obtain the necessary amount and quality of resources and to insure the timeliness of deliveries. All this may prove to be extremely difficult in a system where even military sectors experience problems with deliveries. It is doubtful that joint enterprises would have greater priority than the defense complex."

Businessmen understand that joint enterprises, since they are outside the planning system, cannot count on guaranteed deliveries. And outside this system there is little that can be obtained in the Soviet economy even for a high price. But even when suppliers are found and contracts signed, the timeliness of deliveries and standards of quality are not guaranteed. Fines against Soviet suppliers for violating contract conditions at the present time are much too inadequate to force them to be disciplined. But the lack of clear outlines for price reform and any prospect of convertibility (complete or partial) of the ruble put all estimates of SP profits and costs in question altogether.

In the opinion of businessmen, the infrastructure is one of the weakest points of the Soviet economy. As compared to the countries of the West, the transport network and the storage system are substantially less developed here and the sophistication of packing, transporting, and storing goods is intolerably low. The postal service operates too slowly while the international post office is beneath criticism. The telephone network is based on antiquated technology and is unreliable. That makes it difficult to use computer mail and faxes.

Businessmen have quite a few complaints about the quality of hotel rooms, apartments, and offices as well. Although the Soviet side sets the prices for this type of

services at the highest international level, the real living and work conditions of SP foreign personnel are far below international standards. It makes it even worse that it is very difficult to obtain the most modest apartments or office space in large cities (Moscow and Leningrad), even for a high price in hard currency. Neglect of these problems may very quickly hinder the development of joint enterprises, people in the West believe.

Despite the recent appearance of new sources of information and advertising publications, the Soviet Union has a long way to go to reach the Western level of economic glasnost. "The Soviet Union should discard its obsession for secrecy, due to which Western suppliers have often been prohibited from visiting their clients' plants and foreigners cannot photograph ordinary enterprises (even grain elevators), roads, and bridges," writes Professor J. Huff. Most enterprises do not publish any data about themselves at all. Even such extremely important indicators as prices, inflation rates, interest rates, and wages are kept quiet.

One survey of more than 250 American corporations revealed that because of the shortage of information some 190 of them had to spend more money and effort even to conclude ordinary trade deals with Soviet partners than to conclude similar contracts with Western firms.

On the whole an analysis of the opinions of Western businessmen and specialists enables us to conclude that for the time being a restrained, critical approach to the prospects of joint enterprises predominates among them.

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**Statistics on Joint Venture Distribution, Finances**  
90UF0008A Moscow VESTNIK STATISTIKI in  
Russian No 3, 1990 pp 66-68

[Report on joint venture statistics by D. Manasov:  
"Joint Ventures"]

[Text] The foreign economic factor has an important place in the strategy for socialism's socioeconomic renovation. Foreign economic ties are becoming a powerful accelerator for economic and scientific-technical development. Mastery of the latest achievements in the scientific and technical revolution are closely linked with all-round, in-depth participation in the international division of labor. The level and stability of economic relations between countries and their influence in the world arena now depend directly on successful mastery of the practice of international production.

The basic objectives in the establishment and functioning of joint ventures are:

- the attraction of additional finances and advanced equipment and technology to raise the technical level of production;
- expansion of the output of high-quality products for the domestic market and for export;
- expansion of the exports of industrial products, including through the foreign partner's sales network; and
- the utilization of foreign partners' experience to train highly skilled personnel.

As of 1 December 1989, 1,136 joint enterprises had been established on the territory of the USSR; 1,058 of these were on a bilateral basis and 78 were on a multilateral basis. Firms and organizations from 58 countries—9 socialist, 25 developed capitalist, and 24 developing countries—took part in establishing them.

A breakdown of the number of firms from socialist countries taking part in the establishment of joint enterprises as of 1 December 1989 is as follows: Poland 34, Bulgaria 31, Hungary 24, Yugoslavia 21, and China 16; the firms from developed capitalist countries were: the FRG 170, Finland 136, the United States 121, Austria 82, Great Britain 78, Italy 73, Switzerland 61, Sweden 47, and France 44; and the firms from developing countries were: India 22, Cyprus 14, and Singapore 10.

**Distribution of Joint Ventures by Union Republics and Their Economic Activity**

	All Joint Ventures as of 1 Dec 89	With Socialist Countries	With Capitalist Countries	Foreign Economic Activity, Jan-Sep 1989, in Thousands of Foreign Exchange Rubles		
				Exports	Imports	Sales of Goods and Services in the Domestic Market
Total for the USSR	1,136	133	1,003	70,355	257,596	88,085
RSFSR	845	91	754	62,253	185,451	73,539
Ukrainian SSR	74	20	54	1,499	29,155	8,213
Belorussian SSR	18	6	12	—	902	769
Uzbek SSR	10	3	7	1,711	28,989	4
Kazakh SSR	9	2	7	—	—	—

## Distribution of Joint Ventures by Union Republics and Their Economic Activity (Continued)

	All Joint Ventures as of 1 Dec 89	With Socialist Countries	With Capitalist Countries	Foreign Economic Activity, Jan-Sep 1989, in Thousands of Foreign Exchange Rubles		
				Exports	Imports	Sales of Goods and Services in the Domestic Market
Georgian SSR	31	2	29	2,880	2,670	308
Azerbaijan SSR	7	1	6	—	—	—
Lithuanian SSR	13	2	11	575	1,041	549
Moldavian SSR	11	2	9	93	1,307	556
Latvian SSR	26	2	24	240	2,979	1,166
Kirghiz SSR	0	0	0	—	—	—
Tajik SSR	2	0	2	—	—	—
Armenian SSR	9	1	8	—	—	—
Turkmen SSR	1	0	1	—	—	—
Estonian SSR	80	1	79	1,104	5,102	2,981

The largest number of joint enterprises is in the RSFSR (845, including 600 in Moscow) and in the Estonian SSR (80). Very likely Moscow's priority is explained both by the developed infrastructure and the unique position of the city, where a great many of the country's public and socioeconomic relationships are concentrated.

The extent of joint ventures' influence on the country's economy is still insignificant. Some 184 ventures have begun practical activity in sectors of the national economy: 62 in industry, 7 in construction, 14 in trade and public dining, and 76 in other sectors of the national economy, as well as 15 scientific research and planning and design organizations and 10 cooperatives. The overall volume of production, studies and services for 9 months of 1989 totaled 522 million rubles, including 339 million rubles (65 percent) in industry. Some 19,000 persons were employed in joint ventures; 18,400 were Soviet citizens, including about 10,000 employed in industrial enterprises' basic activity.

Only 71 of the ventures in operation made export deliveries; 98 ventures made deliveries of their products to the Soviet market calculated in foreign currency, and 171 of them made deliveries calculated in Soviet rubles. Only 40 of the ventures in operation are in a favorable position to cover the foreign exchange expenditures.

The export-import operations and the sales of goods and services in the Soviet market for foreign exchange were basically accomplished with freely convertible currency (85 percent for exports, 52 percent for imports, and 60 percent from all turnover). Export volume totaled 70 million rubles, 61 million of which was for exports to capitalist countries. Foodstuffs accounted for 45 percent of the commodities exported (81 percent of them were products from the sea and fish products).

Imports totaled 258 million rubles, including imports valued at 133 million rubles from capitalist countries.

## Exports and Imports of Joint Ventures By Country, in Thousands of Foreign Exchange Rubles, January - September 1989

	Exports	Imports
Altogether	70,355	257,596
All socialist countries	9,121	124,362
Bulgaria	1,463	93,852
Hungary	1,001	12,630
GDR	2,509	1,656
Poland	23	12,695
Czechoslovakia	2,440	1,510
China	1,673	117
All developed capitalist countries	57,302	125,893
EEC countries	17,699	91,861
Belgium	416	441
Great Britain	3,358	1,454
Greece	514	—
Denmark	67	22
Ireland	—	1,913
Italy	3,332	27,842
Spain	188	224
Luxembourg	—	123
Netherlands	107	206
France	2,963	6,085
FRG	6,754	53,551
Austria	1,063	8,397
United States	6,395	3,228
Finland	538	2,909
Sweden	2,240	2,354

**Exports and Imports of Joint Ventures By Country, in Thousands of Foreign Exchange Rubles, January - September 1989 (Continued)**

	Exports	Imports
Switzerland	3	6,946
Japan	28,288	3,571
All developing countries	3,932	7,341
Afghanistan	—	2,925
India	—	1,205
Singapore	—	1,634
Philippines	1,873	—
South Korea	1,536	—

The principal imports (over 80 percent) are equipment, 60 percent of which consists of computer hardware and accessories for it.

Computer hardware, software, and consumer goods predominate in the sales of goods and services in the Soviet market.

As a whole, the ventures in operation had a negative trade balance of 99 million rubles, calculated in foreign currency, at the beginning of October 1989.

The serious difficulties in establishing an effective market for joint ventures are related to the fact that the shift to the new conditions of economic operation has not been completed. The economic foundation necessary for their operation is lacking at present: the market relationships are poorly developed and the administrative-command system of management is being maintained. For this reason, Soviet economic organizations are unable to fully realize the rights granted to them in the area of joint activity.

Joint ventures are defined by law in the USSR as juridical persons which are not associated with the state planning system. They operate on the basis of independently drafted plans and their own initiative in acquiring material resources and selling products. Wholesale trade in all types of goods, including capital goods and raw material, is particularly necessary for joint ventures. But now they are being supplied from the funds of the ministry to which the Soviet participant belongs, or else they are supplied by local organs of the Gosnab.

Experience shows that a partner that brings in machinery and equipment as his share in the fund established for a joint enterprise often sets the prices for them too high. This takes place on the part of the foreign participant as well as the Soviet participant, especially in those cases when prices have been coordinated and delivery is made by a foreign trade organization. As a result, prices are automatically set too high for the ventures' products. In this connection, it seems expedient for the participants in a joint venture to coordinate the prices for goods delivered as a contribution to the charter fund themselves. In the process, the actual technical level and

quality of the machinery and equipment being contributed (compared with similar products in the world) must be taken into account in the price.

Problems in price setting also arise in the sale of domestic goods in third countries. This relates primarily to consumer goods. The point is that the price of a commodity in the domestic market does not coincide with its price in the foreign market. As a result, a commodity that is commercially profitable to produce in the USSR is not competitive in the Western market.

However, the principal problems, in our view, relate to the conflicting interests of the Soviet and Western partners. The Soviet side's objective is to enter the world market with competitive products and to attract more advanced technology to the country. A foreign partner also would be pleased to sell products to the West, but it is precisely for that reason that most of them are investing money here, because the market capacities in the West have been exceeded and they are looking for them in the Soviet market. From the Western partner's viewpoint, the appearance of Soviet goods in Western markets that have already been opened up means the appearance of new competitors. For this reason, the representatives of Western firms often set severe restrictions on the markets for sales as one of the basic conditions in concluding a transaction. The inclination to transfer valuable assets such as new technology to us is not being observed among Western partners.

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**Joint Venture To Access International Business Data Bank**

90UI0462A Moscow PRAVDA in Russian 20 Mar 90  
Second Edition p 7

[Article S. Turanov, TASS correspondent on special assignment for PRAVDA: "Electronic' Acquaintance"; passages in boldface as published]

[Text] **Specialists call the French Infomart firm a window to the 21st century. Its headquarters are located in "the city of the future"—the Defense Quarter in Paris. It performs all types of marketing services: from advertising to the conclusion of agreements.**

The Novintekh Soviet-Bulgarian joint venture has signed a contract with the administrators of Infomart, a firm with considerable operating experience in the "intellectual" market. In particular, the joint venture has gained access to international data networks and databases for the marketing of modern products and technologies. This will provide Soviet enterprises with unprecedented opportunities to operate in the Western market and will guarantee the rapid completion of export and import operations. After all, the Infomart data bank can be used directly from Moscow.

The Infomart electronic memory contains specific commercial bids from thousands of firms. It is possible to

hook up to several commercial data banks, to conclude a business deal without leaving the display, and to strike up an "electronic acquaintance" with many firms.

"We are willing to represent the interests of Soviet organizations in this information market," said Doctor of Economic Sciences and Novintekh General Director V. Tikhomirov. "For example, we have already attended several conferences in the USSR Council of Ministers where we discussed the rapid inclusion of commercial information about enterprises undergoing conversion in the Infomart data bank. After all, they are the ones with the greatest need for profitable ventures for the use of newly available facilities and skilled personnel.

"We are not hoping to earn superprofits by monopolizing the access to the commercial data bank," V. Tikhomirov went on to explain. "Although we had to pay for the contract in foreign currency, we are willing to help anyone else—ministries, departments, executive committees, associations, enterprises, cooperatives, and individual specialists—enter the world market for an extremely modest fee, and in rubles. This will cost an average of around 5,000 rubles a year, depending on the volume of information supplied."

Our address is Novintekh Joint Venture, 13 Nezhinskaya Street, Moscow, 119517, and our telephone number is 442-57-92. Around 70 branches of Novintekh in all of the republics and in many oblasts will also be hooked up to the Infomart network. This will give not only enterprises, but also republics, oblasts, and cities a chance to participate in marketing.

We will take on all of the work connected with the processing of data in line with international standards. Information about the technical and operational features of any item, information about new technologies and inventions, and even information about ongoing and completed research and development projects can be entered in the Infomart data bank.

#### **Council of Ministers Decree on Foreign Trade Representatives**

90UF0041A Moscow SOBRANIYE POSTANOVLENIY PRAVITELSTVA SOYUZA SOVETSKIKH SOTSIALISTICHESKIKH RESPUBLIK in Russian No 1, 1990 pp 24-29

[USSR Council of Ministers decree: "On the Order of Establishing Representation of Foreign Companies, Banks and Organizations in the USSR and Their Activity"]

**[Text] On the ratification of the Decree on the Order of Establishing Representation of Foreign Companies, Banks and Organizations in the USSR and Their Activity.**

The USSR Council of Ministers hereby resolves:

1. To ratify the proposed Decree on the order of establishing representation of foreign companies, banks and organizations in the USSR and their activity.

To confirm the fact that permission for establishing representations of foreign companies, banks and organizations in the USSR is issued by the empowered USSR ministries and departments and the Councils of Ministers of the union republics in strict accordance with the indicated Decree.

2. To allow cooperatives to perform servicing of diplomatic representations, representations of foreign companies, banks and organizations, as well as other representations of foreign states and international organizations in Moscow only on the basis of agreements concluded with the Servicing the Diplomatic Corps Main Administration under the USSR Ministry of Foreign Affairs. The servicing of the indicated foreign representations in other USSR cities is performed by cooperatives on the basis of agreements concluded with the appropriate administrations (departments, organizations) of the executive committees of the city Soviets of People's Deputies or the appropriate organizations entering into the system of the USSR Chamber of Commerce and Industry.

3. To establish for the years 1989-1990 for the executive committees of city Soviets of People's Deputies a standard of deductions to the currency funds in the amount of 70 percent of the income in foreign currency for the office and housing facilities presented by the subordinate enterprises, associations and organizations to the representations of foreign companies, banks and organizations, as well as the services of a household or other nature.

To allow the executive committees of the city Soviets of People's Deputies to centralize up to 40 percent of the currency deductions of the subordinate enterprises, associations and organizations.

4. In connection with the current resolution:

a) to consider void:

the USSR Council of Ministers 23 May 1977 resolution No 427, "On Ratifying the Decree on the Order of Establishing Representations of Foreign Companies, Banks and Organizations in the USSR and Their Activity" (SP SSSR, 1977, No 16, p 95);

the USSR Council of Ministers 7 January 1989 resolution No 17, "On Supplementing the Decree on the Order of Establishing Representations of Foreign Companies, Banks and Organizations in the USSR and Their Activity" (SP SSSR, 1987, No 7, p 32).

USSR Council of Ministers Chairman N. Ryzhakov

USSR Council of Ministers Affairs Administrator M. Shkabardnya

Moscow, Kremlin, 30 November 1989, No 1074.

Approved by resolution of the USSR Council of Ministers dated 30 November 1989, No 1074.

Decree

**on the order of establishing representations of foreign companies, banks and organizations in the USSR and their activity**

1. Foreign companies, banks and organizations (henceforth referred to as foreign firms) may establish representation in the USSR only with special permission issued, depending on the nature of activity of the foreign firm, by the USSR Ministry of Foreign Economic Relations, the USSR State Committee on Science and Technology, the USSR Ministry of Civil Aviation, the USSR Ministry of the Maritime Fleet, the USSR Ministry of the Fishing Industry, the USSR State Bank, the USSR Chamber of Commerce and Industry, the councils of ministers of the union republics, or at their assignment by the republic ministries and departments of the union republics (henceforth referred to as accrediting organs).

The accrediting organs also resolve questions of creating branches of foreign firm representations, formed with their permission.

Several foreign firms may open a single joint representation.

2. Permission to open representations may be issued to the foreign firms if Soviet organizations are interested in cooperating with them, and primarily:

[foreign firms] which are well-known in their own country and on the world market, who have earned a positive recommendation as partners of Soviet organizations in cooperation in various fields, who have concluded large-scale commercial deals or other deals of great national economic significance with the corresponding Soviet organizations, and who have a high commodity exchange with them;

[foreign firms] which have implemented industrial cooperation with Soviet enterprises and organizations, as well as chambers of commerce, associations and unions of entrepreneurs, and who are interested in developing trade-economic ties with the USSR;

[foreign firms] which have concluded the most important agreements on scientific-technical and other forms of cooperation with the appropriate Soviet organizations.

Permission may also be issued on the basis of intergovernmental agreements concluded by the USSR with the foreign country.

3. The representations of foreign firms may be opened for purposes of:

effective aid in the realization of agreements on cooperation in the sphere of trade, economics, finance, science and technology, transport, tourism, and other fields; seeking out possibilities for continued development, intensification and improvement of the forms of this

cooperation, as well as expanding the exchange of economic, commercial and scientific-technical information and developing trade-economic ties with Soviet organizations;

ensuring the fulfillment of commercial and other deals, as well as giving effective aid to Soviet organizations in developing the export of machines, equipment and other goods and services, familiarization with the latest achievements in world technology, import of current machines and equipment, and implementation of their technical servicing.

4. The representations of the foreign firms are opened for the period necessary to achieve the goals indicated in Point 3 of this Decree, but as a rule, for a period of no longer than 3 years, with possibility of subsequent extension of the time of activity of the representation in the USSR in case of timely petition of the foreign firm to the accrediting organ, if the purpose for opening the representation was not fully fulfilled and if such extension is considered expedient.

5. The foreign firm interested in opening representations submits a written application to the appropriate accrediting organ. In it, it presents the purpose for which the foreign firm seeks to open the representation, gives a description of the foreign firm's activity and detailed information on its business ties with Soviet organizations, and lists concluded agreements or commercial deals with indication of the object, sum and time of effectiveness of the agreement or deal whose fulfillment must be aided by the government. It also tells of the prospects for development of cooperation.

The application must be accompanied by official documents (the foreign firm's charter, an excerpt from its trade register, for a bank—an excerpt from the bank register or document confirming that it is authorized to engage in banking activity, etc.) in notarized copies witnessed in the established order by the USSR consular institution abroad, and with translation into Russian (including the application). If, according to the laws of the country where the foreign firm is located, special permission of state institutions is required to open the representation, then a copy of such permission, witnessed in the established order, must also accompany the application.

Aside from the indicated information and documents, upon request of the appropriate accrediting organ the foreign firm must present other information and documents concerning its activity (information on the assets of the foreign firm, recommendation letter from the bank whose services it uses, etc.).

Prior to obtaining permission for opening its representation in the USSR or extending its term, the foreign firm pays a fee in accordance with USSR legislation.

6. The representative of the foreign firm who conducts negotiations in its name about opening a representation

in the USSR submits the properly formulated power of attorney to the appropriate accrediting organ.

7. The permit for opening a representation by a foreign firm issued by the appropriate accrediting organ in accordance with the form established by it specifies:

- a) the purpose of opening the representation;
- b) the conditions under which the foreign firm is allowed to open the representation;
- c) the term for which the permit is issued;
- d) the number of representation associates who are foreign citizens employed by the foreign firm.

8) Provision of the foreign firm representations with office and housing facilities, telephone and telex communications and a number of other services of a household character is performed in Moscow through the Servicing the Diplomatic Corps Main Administration under the USSR Ministry of Foreign Affairs (GlavUpDK), as well as the USSR Chamber of Commerce and Industry, and in other USSR cities—by the appropriate executive committees of the city Soviets of People's Deputies, as well as the appropriate organizations within the system of the USSR Chamber of Commerce and Industry.

The organization of employment of Soviet citizens in the foreign firm representations in Moscow is done by the GlavUpDK, and in other cities—by the appropriate executive committees of the city Soviets of People's Deputies.

9. The foreign firm representation is considered to be open in the USSR from the date of issue of the permit for opening it.

The permit becomes invalid if the foreign firm does not use the right to open the representation within 6 months from the date of issue of the permit.

10. The foreign firm's representation acts in the name of and at the orders issued to it by the firm or firms whose name is stated on the permit for opening the representation, and conducts its activity in accordance with Soviet law.

The foreign firm's representation may perform functions associated with fulfilling representative services in the USSR in the interests of other firms with the permission of the accrediting organ issuing the permit for opening the representation. The representation informs the USSR Ministry of Finance in the established order regarding the financial results of such representative activity.

11. The chief of the representation acts on the basis of the properly formulated power of attorney of the foreign firm.

12. Accreditation of the foreign firm's representation association is performed by the accrediting organ issuing

the permit for opening the representation, within the limits of the permitted number of associates.

13. The chief of the foreign firm's representation: informs the appropriate accrediting organ in a timely manner regarding the staffing of the representation and its changes;

once every 6 months forwards to the accrediting organ issuing the permit for opening the representation written information on the representation's activity. The list of facts presented as such information is established by the appropriate accrediting organ;

within a month from the start of the representation's activity, he must inform the USSR Ministry of Finance about this fact, as well as about the location of the representation and the foreign workers which it staffs.

14. The activity of the foreign firm's representation in the USSR is terminated:

a) upon expiration of the term for which the permit was issued, if the foreign firm has not petitioned to extend the term of activity of the representation;

b) in case of liquidation of the foreign firm having representation in the USSR;

c) in case of cessation of effect of the intergovernmental agreement concluded by the USSR with the foreign state, on the basis of which the representation was opened, if this is directly stipulated by the statutes of such agreement;

d) at the decision of the appropriate accrediting organ in case of the representation's violation of conditions on which the foreign firm was permitted to open and operate it, or in case of violation of Soviet legislation;

e) at the decision of the foreign firm who opened the representation.

15. In the cases specified in point 14 of this Decree, the appropriate accrediting organ or foreign firm will notify the interested party of its decision.

The conclusion of activity of the foreign firm's representation in the USSR and vacating of the office and housing facilities presented to it is performed in a time of no more than 3 months from the date of notification.

#### **Foreign Economic Activity of Enterprises, Associations Assessed**

*90UF0009A Moscow EKONOMICHESKIYE NAUKI  
in Russian No 3, Mar 90 pp 3-13*

[Interview with Boris Nikolayevich Ladygin, candidate of economic sciences; occasion, date, and place not specified]

[Text] In continuing the cycle of interviews of leading specialists in foreign economic aspects of the radical

renewal of socialist economic activity,<sup>1</sup> we asked Candidate of Economic Sciences Boris Nikolayevich Ladygin to answer some questions regarding the subject mentioned in the title.

[Interviewer] An obvious sign of the times is the development of independent foreign economic activity of our enterprises and associations as well as individual organizations, among them those of a nonproduction nature. Joint (international) enterprises are also becoming a common occurrence and the opportunity for activity by foreign enterprises on USSR territory has appeared. What place do all these processes occupy in the realization of the new foreign economic strategy?

[Ladygin] In order to answer this question in a really concrete way, I must first describe the historical prerequisites, essence, and content of our new foreign economic conception formulated in the context of the general line of the CPSU to renew socialism.

The serious breakdowns in the USSR's foreign economic ties which were sharply manifested in the early 1980s were significantly related to preservation of elements of the mechanism of management of foreign trade which took shape back under NEP [New Economic Policy]. The idea promoted by V. I. Lenin of the state monopoly on foreign trade presupposed concentrating all foreign trade activity in the hands of the socialist state. That guaranteed the international economic independence of the newly emerged socialist state, helped mobilize extremely limited export and hard currency resources, and insured purchases on the world market of precisely what was crucial to accelerating industrialization. At the same time it accomplished the task of preventing foreign capital from freely permeating the then-meager market for speculative sale of scarce goods and of keeping Soviets from buying up goods for next to nothing. In conditions of the hostile capitalist encirclement, the freedom of action of Western capital would have had negative political consequences.

In order to realize the state's monopoly on foreign economic ties, the People's Commissariat of Foreign Trade (NKVT) was set up, and not one organization in the Soviet Union and not one foreign firm could get by in any export or import transaction without its mediation. But as the NEP developed the role of the NKVT became more than simply intermediary. Its role for Soviet organizations became a directive one. The Commissariat independently made agreements with foreign firms, acquiring goods from them, and in accordance with the precepts of the national economic plan distributed them to the sectors, regions, and individual sites. At the same time the NKVT had virtually unlimited authority to mobilize the country's export resources. Through the system of orders [zakaz-naryad] it directed that export output be bought from enterprises at domestic wholesale prices (later a 25 percent export incentive supplement appeared), frequently without regard for the enterprises' interests.

A cumbersome centralized administrative command system of management of foreign economic ties took shape on the whole. The particular enterprise was isolated from the world market and had only a consultative voice in carrying out export-import transactions. Therefore enterprises' interest in developing economic relations with foreign partners was minimal.

Up until the early 1960s our foreign trade reflected the policy of autarky, that is, the creation of a closed economic complex independent of the world economy. Forced industrialization was carried out with the emphasis on military-industrial sectors. To do this progressive equipment and certain types of raw and processed materials had to be bought abroad. Such purchases were made by exporting fuel and raw material commodities, and in the 1930s foodstuffs as well. In light of that the principle "We won't get enough to eat, but we'll export" "worked." The domestic situation with foodstuffs and industrial goods for the population worsened but heavy industry and especially the military-industrial complex developed at an accelerated rate.

The first signs of a change in the Soviet economy toward social needs and detente in the early 1960s revealed the contradiction between strict centralism and foreign economic constraint, on the one hand, and the tasks of developing international economic ties on the other. In these conditions the strategic guidelines of foreign economic ties began to change toward greater dynamism, greater socioeconomic efficiency, and diversification of exports and imports in terms of sectorial and geographic directions. On the practical level people began to talk about eliminating the raw material orientation of exports. Renunciation of exporting scarce types of foodstuffs was followed by a switch to importing them. The question was posed of international specialization and cooperation in machine building production. And so on.

The process of decentralization of foreign economic activity which had begun was carried out in an extremely inconsistent way, however, and by purely administrative methods (above all by narrowing down the activity of the Ministry of Foreign Trade and distributing its former all-encompassing perogatives among other higher administrative organs). Gosplan headed the coordination of foreign economic ties with socialist countries. General questions on that were turned over to the Permanent Representation in CEMA. The construction of projects abroad and trade in military equipment became a function of the State Committee for Foreign Economic Relations. The sectorial ministries got certain rights. But enterprises continued to be isolated from the world market.

Since 1986 a fundamental perestroyka of foreign economic activity has been underway. The goal of opening the economy to the world market and overcoming autarky was made the cornerstone. By the year 2000 Soviet foreign trade turnover is to be increased by a factor of 4-5 and the structure of exports is to be brought

closer to the indicators of the developed capitalist countries (at the present time the proportion of machines and equipment makes up 15 percent of exports, but this indicator must be raised to 40-50 percent). In other words, the Soviet Union must change from a raw materials appendage to an equal partner of other states.

It is absolutely impossible to realize the strategic goals posed if we use the old methods. In this connection fundamental changes have already been made in the foreign economic activity mechanism, and the main sense of these changes is certainly *direct and independent participation of all enterprises, associations, and organizations involved in any form of foreign economic relations with any foreign partner*. This radical change naturally demanded that major measures be carried out in many directions.

Above all the role of the center has substantially changed. Instead of many organs of management and regulation of foreign economic ties, the State Foreign Economic Commission (GVK) has been created under the USSR Council of Ministers. The single governmental organ focused attention on questions of developing a strategy of foreign economic ties and formulating a new mechanism functioning on the basis of economic principles.

The activity of the MVS [Ministry of Foreign Economic Relations] is also being restructured: from direct management of foreign trade by directive it is moving to primarily indirect methods of regulation. A decisive part of foreign trade (especially commodities of the manufacturing sectors of industry) is now directly regulated by the corresponding intersectorial and sectorial committees and ministries. The republics and other regional formations (oblasts and cities) have been granted extensive rights.

In these conditions the foreign economic independence of the primary links of the economy are also developing. Let us repeat, they can now realize their new rights in any form of foreign economic activity known in world practice (simple export-import transactions, specialization and cooperation of production, scientific-technical cooperation, joint enterprise with their own and foreign partners, and the like are possible). The broadest range of direct ties with foreign enterprises and firms with emphasis on scientific-production cooperation in science-intensive sectors of production is envisioned. And while at first direct ties only with contracting parties from socialist countries who are CEMA members were proposed, later it was recognized as necessary to open up the Soviet enterprise to such ties with any foreign partner within the framework of existing interstate agreements on trade and cooperation.

The USSR's participation in the socialist economic integration of the CEMA member countries is acquiring new content and forms. This socially necessary process is being liberated from administrative-bureaucratic

methods, and that is expressed in the broadest democratization and decentralization of multilateral and bilateral cooperation within the CEMA framework. The question has been posed of the creation of prerequisites for a unified socialist market whose primary subjects should be the immediate producers and consumers.

The perestroyka of the system of planning foreign economic ties is also developing. And the internal planning of these ties and the coordination of national economic plans with socialist countries is now being carried out on their interrelated levels: the state, ministry, and cost-accounting levels. What does that mean in more concrete terms?

The state programs and plans the main proportions of the international division of labor; it determines the approximate volume and dynamics of foreign trade turnover; it regulates trade and payment balances on the whole and in terms of individual countries; it controls export and import transactions in the base sectors as well as by socially significant commodities (the main types of foodstuffs and consumer goods). The main scientific-technical projects, credit transactions, and joint construction of basic national economic projects are carried out on the basis of interstate agreements.

The planning and organization of intrasectorial cooperation is the prerogative of the appropriate ministries (committees) which are obliged to create favorable organizational-economic conditions for direct ties on the cost-accounting level. Essentially then, *all forms of centralized and sectorial regulation are supposed to give ample room for the foreign economic action of the main economic link—enterprises and associations*.

[Interviewer] And these actions are obviously cost-accounting in nature. What are the essence and basic principles of foreign economic cost-accounting?

[Ladygin] The prerequisites for developing it are created by enterprises, associations, and organizations emerging directly onto the world market. Since it is related to the entire system of production relations being renewed under perestroyka, foreign economic cost-accounting is an inseparable part of full cost-accounting and serves as a *method for coordinating national, group, and personal interests in foreign economic activity on the basis of the broad use of commodity-money relations and consideration of the demands of the world market and state regulation*.

Foreign economic cost-accounting must not be realized separately from domestic cost-accounting. Any enterprise entering the world market is linked by thousands of threads (in terms of the production line, distribution, exchange, and consumption) with enterprises working in the domestic market. Therefore, foreign economic cost-accounting relations are also realized among individual cost-accounting subjects (just as within their framework).

The cost-accounting unit oriented to the world market enters into commodity relations with foreign enterprises. These interrelationships can become organic and integral in nature.

In many cases direct production-commodity ties with foreign partners take shape in the form of joint enterprises with those partners. Then elements of joint property and direct cooperation of labor and forms of joint trade and distribution of common revenue arise. In this situation domestic production relations are closely intertwined with international ones.

The main prerequisite for foreign economic cost-accounting is direct coupling of production and foreign trade at the level of the enterprises. Without the possibility of the latter entering the world market under conditions of independent responsibility for expenditures and results, development of the new and very specific type of cost-accounting under study is impossible.

The following feature of foreign economic cost-accounting stems from the fact that cost effect in production arises not only in the domestic market but on the international market as well: the mandatory impact of foreign currency (world monies).

I will also mention the principle of *hard currency self-support* [samookupayemost]; the decree of the 2nd Congress of People's Deputies "On Measures to Normalize the Economy, Stages of Economic Reform, and Fundamental Approaches to Formulating the 13th Five-Year Plan" particularly emphasized the importance of realizing this principle. The essence of it is that the state does not provide the enterprise with foreign currency. It must be earned through export transactions (the sale of goods or services to the holder of hard currency). Naturally, the right to spend the hard currency obtained (after taxes and fees) belongs to the enterprise itself. Hard currency self-support means, in other words, that the enterprise covers all its hard currency expenditures through its own hard currency revenue.

Of course, hard currency revenue is not an end in itself, but only a means to increase the enterprise's cost-accounting revenue as a source of savings and consumption within the framework of the labor collective. Therefore the final results of the enterprise's foreign economic activity should be expressed namely in the cost-accounting revenue. Correspondingly, the effectiveness of foreign economic transactions should be commensurate with the effectiveness of alternative variants, that is, with the use of those same basic resources on the domestic market.

It is clear that if export-import transactions are less profitable for the enterprise than trade on the domestic market, then foreign economic activity is not justified and should cease. Of course, in quite a few cases foreign trade which has been unprofitable for a number of years later begins to provide a great deal of revenue. That is why not only a commercial market approach but also a

strategic approach to foreign economic transactions is needed. But in any case recordkeeping of the real and predicted economic effectiveness is needed, that is, comparison of expenditures and results involving obtaining and spending hard currency.

Formulas have been developed for calculating the effectiveness of foreign trade from the standpoint of a cost-accounting enterprise as well as for calculating the absolute increase in cost-accounting revenue from foreign economic activity. Specialists know these formulas.

[Interviewer] The fundamental principle of foreign economic cost-accounting is combining the enterprise's cost-accounting interests with the state's economic interests.

[Ladygin] That is applicable not only to state but to all enterprises, associations, and organizations on USSR territory without exception as well as to Soviet economic formations abroad. Without that forming a state budget of the proper magnitude is impossible, and carrying out effective state-wide investment-technological and social policy and supporting foreign trade and payment balances are inconceivable. But violation of state-wide balances inevitably leads to the appearance and growth of the state's foreign debt, which sooner or later has a negative effect on the economy as a whole.

But harmonizing the interests of the state and the enterprise is a reciprocal process. In the Soviet Union, as in most other socialist countries, the formula of completely subjugating foreign economic activity to the interests of the state is being rejected. Today that can be justified only in extreme circumstances. But conserving such a monopoly contradicts the process of optimal involvement of each national economic complex in the system of world economic ties, which demands mutual adaptation of the interests of all economic subjects to national potential and needs.

The state, of course, retains priority on strategic issues, but it is not able to plan and manage the entire spectrum of particular foreign economic actions. And hence, active use of indirect forms of combining private and general interests and of economic methods of influencing economic subjects to realize nation-wide priorities is objectively necessary.

As experience has shown, currency exchange rates, customs tariffs and rules, quotas and licenses, and bonuses and fines as well as taxes are very effective instruments of state regulation of foreign economic activity of cost-accounting links (this, of course, does not preclude using administrative levers when necessary, such as bans on exports and imports, loss of foreign trade rights, and the like, for example).

Within the limits of these incentives and restrictions cost-accounting links may freely maneuver in time and space. *The freedom of choice of partners and forms of cooperation is a mandatory principle of foreign economic*

*cost-accounting.* To carry this out consistently, the cost-accounting mechanism must be adjusted, and what is very important, cadres must be trained and the appropriate infrastructure on the scale of the state must be prepared.

We are speaking in particular about a state-wide system of commercial and scientific-technical information connected up to the international information networks. Cost-accounting information and marketing, consulting and intermediary firms, freedom to transfer business people throughout the world, and developed transport and communications are also needed.

The freedom to establish foreign economic relations stimulates these things. First, the enterprise gets the opportunity to select the most effective variant of development from a multitude of alternatives involving not only the domestic but also the foreign market. Secondly, foreign economic ties contain an enormous potential for increasing cost-accounting revenue. But a great deal, if not the main thing, depends here on the extent to which potential and real incomes are distributed between the enterprise and the state. As soon as the enterprise has the opportunity to obtain above-average profits, an efficient material stimulus is at hand to develop its foreign production, scientific-technical, and commercial activity. But if the state confiscates all the above-norm profits from the enterprises' foreign trade, the enterprise's interest in foreign economic relations falls. This problem is above all resolved by setting a correct currency exchange rate.

[Interviewer] Achieving real freedom in choosing partners for cost-accounting foreign economic activity of enterprises and associations, just like the effective stimulation of this activity as a whole, is closely tied, one must assume, to the problem of the convertibility of the ruble. In the decree of the Second Congress of People's Deputies which you mentioned the government is charged with developing a program to change to a convertible ruble in 1990. What are our prospects in this area?

[Ladygin] To discuss these prospects at all seriously means first of all to understand the questions of changes in currency exchange rates.

The currency exchange rate expresses the exchange ratios between foreign and domestic currencies. In practice this is the price of a unit of foreign currency. It is fixed, if we are speaking of the official exchange rate, or formed on the currency market as the price of equality between supply of and demand for foreign currencies.

A uniform currency exchange rate is always preferable for normal functioning of foreign economic ties in conditions of a developed commodity system. Any hard currency is a specific type of commodity, and a commodity objectively has one national value which is also expressed in the uniform price of a unit of this hard currency.

But in conditions of undeveloped market relations in the national economy, the need arises to deviate from a uniform currency exchange rate when introducing a plurality of prices for a unit of a particular foreign currency (the practice of a "plurality of exchange rates"). In this connection let us examine the mechanism for the formation of currency exchange rates in more detail.

Any acquisition of foreign currency is naturally tied in one way or another to exporting goods from a given country and selling them on the world market. Average export expenditures are what characterize the price of this currency. If, for example, average costs for a set of export goods to earn 1 U.S. dollar is 2 rubles, then that will be the price of a dollar from the national economic standpoint. That is also the objective basis and starting point for the formation of the currency exchange rate of the ruble in relationship to the dollar. When the particular amounts of the currency exchange rates are set, the factor of supply and demand and the tactical tasks of stimulating or restraining exports and imports must also be taken into account. In order to identify the "quota" of these factors, elements of the free currency market must also be introduced (for example, currency auctions where currency is bought and sold at contract prices).

The discrepancies between the official and the free currency exchange rates may be very significant. This is a result of the differences in domestic and world prices, inflation phenomena, and the particular commercial market conditions on the domestic and world markets. From this comes the need, first, to constantly adjust the official currency exchange rate and, secondly, to differentiate currency exchange rates by certain groups of goods and services. In some countries a special rate for nontrade transactions is introduced in addition to the official currency exchange rate. We are speaking of all currency exchange transactions by private citizens and organizations involving business trips and welcoming specialists, tourism, and the buying and selling of particular services. In the USSR, for example, where retail prices for goods and services for the population differ sharply from prices in the West, the state receives about 6 rubles for 1 American dollar for nontrade transactions (the special rate has been in operation since 1 November 1989). Convergence of the official currency exchange rate with the nontrade exchange rate is possible only when all domestic exchange ratios are brought into line with the average world exchange ratios and the domestic market is adequately supplied with goods and services.

At the present time our domestic price-setting system is completely cut off from the world price-setting system even on the wholesale market. For that reason the official exchange rate must be supplementally adjusted to the amount of the deviations of individual costs of production from average exchange ratios fixed in this exchange rate. The corresponding corrective coefficients for certain sectors and goods have been called differentiated currency coefficients (DVK's). Their goal is to prevent excessive (unjustified) revenue in some sectors and losses in others. For example, the wholesale price of

oil in the USSR in 1990 is 30 rubles a ton, while the average world price is approximately 120 dollars, and hence, it takes .25 ruble to earn 1 dollar. At the same time there are export goods where it takes 7 rubles or more. During the price reform which is supposed to eliminate distortions in price-setting, domestic exchange ratios will approximate world ratios, and these sharp deviations will be largely eliminated. But for now, in the interests of a healthy stimulus for exports, we must resort to the DVK's which restrain the export of fuel and raw material commodities and encourage the export of highly processed finished goods.

It is precisely the problem of the exchange rate being examined, as was already mentioned, that is most closely tied to the prospects of the ruble becoming a convertible currency. The idea of achieving free convertibility of currency is to create the economic and legal conditions to allow national monies to be easily exchanged for any foreign currency at the exchange rate in operation at the given moment. Without a convertible currency any enterprise is deprived of the freedom of economic maneuver and the freedom to select foreign and domestic partners.

This is demonstrated by the experience of the USSR and many other socialist countries who carry on trade for the most part on the basis of bilateral deliveries—through *clearing of accounts*. Under clearing agreements the foreign trade of one country with another is carried on by means of the balance and equality of exports and imports.

But for an enterprise this means that all its earnings in closed (clearing) currency must be spent in the same currency. For example, if a Soviet enterprise exports something to Hungary, then all its import purchases must also be done in Hungary. But if the enterprise realizes exports for a convertible currency, then it is completely free in its imports, that is, it may buy a commodity in the country where that commodity costs less.

It would seem that all arguments are in favor of immediately introducing convertible national currency. However, virtually all states are trying to do this, but only a few have managed to do so. The point is that changing to convertibility is not only and not so much an administrative act as a complex economic process which achieves success only when a certain set of conditions is met.

The initial condition is that the national currency *enjoys demand* on the international currency, commodity, and credit markets. To do that national monies must above all have complete convertibility within their own country, which the stability and definite freedom of the domestic market insure. Any foreign holder of the national currency must be guaranteed the opportunity to freely acquire at acceptable prices those national goods which are in demand abroad. The more such (potentially

exportable) goods there are, the richer and more attractive the national market and the stronger the desire of foreign contracting parties to acquire the national currency.

Naturally national monies and their domestic purchasing power and the freedom to convert them into goods must be guaranteed for a long period of time. Only then does trust in the national currency, a mandatory prerequisite of its convertibility, appear.

Sometimes, in order to increase the attractiveness and stability of domestic monies, the suggestion is made to introduce their free exchange for gold. Such freedom, as is well known, existed under gold-backed money circulation up until the early 1930s. Nowadays gold has been withdrawn as a monetary commodity throughout the world because it is impossible to back the entire, enormous mass of money with gold, and for a number of other reasons. Gold has become an ordinary commodity whose price constantly fluctuates. All states use it as a reserve which allows them to obtain hard currency in emergency circumstances.

The existence of an accurate exchange rate which is adequately profitable for the country is also a fundamentally important condition of convertibility. But if the rate does not reflect the fundamental factors of its formation but takes shape only under the influence of supply and demand, then convertibility may bring the state only losses. In other words, not every exchange rate which corresponds to supply and demand is profitable for the state. Thus, at currency auctions in the USSR in 1989 1 U.S. dollar went for 20 rubles or more. If this rate were made the official one, then at the present level of prices and wages in the USSR a foreign contracting party could buy up goods and services for next to nothing. The Soviet Union would suffer especially high losses from the operation of joint enterprises, for the joint enterprise's contribution to capital would be extremely unequal.

I will emphasize once more that making the national currency convertible is a fairly complex and lengthy process. It can be realized only when the necessary prerequisites have been created, and the main ones are a strong national market and an exchange rate which is acceptable to the state and to foreign contracting parties. As these prerequisites ripen *partial convertibility* of the national currency, which would to a significant extent simplify and facilitate the activity of joint enterprises and organizations, may be introduced gradually.

[Interviewer] Could you not describe the nature and forms of present joint enterprises and organizations in more detail?

[Ladygin] First of all I would like to talk about the differences between a joint enterprise and a joint (international) organization. The first presupposes joint ownership of investment and operating capital, while the second implies separate ownership. Each member of an international organization remains the sovereign owner of its own capital (fixed and circulating capital) and

conducts any trade and nontrade transactions with other members of the organization on the basis of the principle of mutual interest. Each member of the organization independently realizes its own foreign economic cost-accounting, does not interfere in the internal affairs of the other partner, and is not responsible for the results of that partner's activity.

Joint enterprises (firms) are a different matter. Here the fixed and circulating capital are joint, which predetermines the joint character of management, sale of the product, and receipt of income (which is then distributed on the basis of the parties' contributions). In this way, the joint enterprise is an independent cost-accounting unit which realizes international cost-accounting relations. The idea of them is joint cost-accounting activity and the joint and several liability of each national owner (within the confines of his share in the common capital) for the results of the activity of the enterprise as a whole.

The system of joint enterprises and international organizations on a cost-accounting level is still only in the formative stage. By early 1990 there were about 2,000 joint enterprises in the USSR. All of them came into being in recent years.

However, the practice of interaction with foreign capital got its start in the first years of Soviet Power. In the 1920s and up to the mid-1930s hundreds of enterprises of foreign capitalists operated on the country's territory (for the most part on concession principles). The Soviet Union also started quite a few of its own enterprises abroad, many of which are still operating successfully even now (the Moscow People's Bank in London, one of the largest in England, for example). In addition, after the war and up to the mid-1950s Soviet and joint enterprises began to be formed in the socialist countries on the basis of former property of fascist Germany. This experience, however, was not successful and since the mid-1950s almost all the enterprises with Soviet participation have been liquidated. The main reason was that they operated by elements of the administrative-command economy rather than the market economy. The activity of these enterprises was strictly regulated by the directive organs of the two coparticipating states and any divergence of partners' interests demanded constant negotiations on the governmental level. Ultimately unsolvable conflicts arose.

Since the early 1960s joint enterprises have begun to appear again gradually and on a limited scale in a number of socialist countries. But only in the second half of the 1980s were fundamentally new opportunities opened up here. International experience demonstrated the high efficiency of joint enterprises as independent subjects of a developed market economy. Therefore, the prospects of really successful development of this form of cooperation are determined by the level of development of national socialist markets and their growing interdependence. Along with individual joint enterprises, the form of *joint associations of enterprises* is also appearing.

A whole set of forms of these associations have not yet been clearly identified on the territory of the socialist countries. But in accordance with existing international practice and trends of development two basic forms may be singled out: international concerns and international economic associations.

An *international concern* represents an association of enterprises (capital) of different countries on the basis of common ownership of the means of production. The concern centralizes the functions of scientific-technical and production development as well as investment, financial, foreign-economic, and other types of activity. Despite their national affiliation enterprises which are part of the concern may not simultaneously be part of other concerns. In actual fact they lose their independence and are subordinate to the concern.

An *international economic association* is a contract association of enterprises and firms of different countries. By participating in the association they do not lose their independence and only partially pool their property (by mutual agreement). The association does not manage the enterprises' production-economic activity but only coordinates that activity: it helps set up specialization and cooperation of production and organizes joint production on the basis of the participants' pooling part of their capital (resources) in order to satisfy its own needs or produce output to sell to third-person legal parties. The members of the international economic association may join other production associations of enterprises without the agreement of the association and its other members. However, by decision of its participants the association represents their interests in relations with the foreign partners.

As experience shows, *special economic zones (SEZ)* and *joint enterprise zones (ZSP)* may be a factor of the accelerated creation of joint enterprises and their successful operation.

SEZ's represent relatively isolated territorial enclaves within the boundaries of a sovereign state. Within the zones foreign economic ties are carried out under preferential conditions (without the application of customs tariffs and with full or partial freedom from taxes). All economic issues are resolved in the SEZ independently, by agreement with foreign investors and partners. This makes SEZ's attractive to foreign capital, for it provides higher profits than ordinary joint enterprises on the given country's territory.

A ZSP is part of the sovereign country's territory where a special customs system does not operate and certain other privileges are not applied to foreign capital (tax exemptions, for example). Thereby, unlike SEZ's, ZSP's operate within the framework of the national market and follow its rules.

As yet there is no experience in setting up SEZ's and ZSP's in the USSR, but intensive study of all issues of their creation and operation is underway.

[Interviewer] In conclusion, please tell us about the predicted prospects of economic cooperation of enterprises and organizations of the socialist countries and of the changes proposed in the character of socialist economic integration in this connection.

[Ladygin] Cooperation of enterprises of the socialist countries, especially within the CEMA framework, has its own specific features. They are determined by the unity of the main content of socialist production relations. As a rule, as independent commodity producers within the socialist countries, enterprises represent not only the group but also the national interests of the sovereign socialist states. This is the result of the system of economic cost-accounting, the principles of which coincide in many socialist countries.

Since the late 1940s, international division of labor has taken shape and developed within the framework of CEMA, which in the early 1970s began to acquire features of socialist economic integration on the interstate level. In coordinating national economic plans, the central organs of the CEMA member states were fully defining the volumes and structure of mutual division of labor and foreign trade. On this basis the mutual commodity turnover of the CEMA member states reached 200 billion transferable rubles by the mid-1980s. The proportion of mutual commodity turnover in the total volume of foreign trade of these countries was from 50 percent (Hungary) to 95 percent (Mongolia) in 1989.

Since the mid-1980s the cost-accounting sphere of socialist economic integration has emerged and become gradually consolidated. The path to voluntary forms of direct commercial-production relations and joint enterprises has been opened. The prospects of creating the prerequisites for a *united market of the CEMA member countries* are related precisely to this. In the future enterprises, associations, and organizations will become the *main subjects* of the integration process within the CEMA framework.

First of all market interaction within the united market will be established among them. This implies free circulation of goods, services, technologies, and capital.

For now the proportion of the free market sphere in the interaction of the CEMA member countries is small. But the very logic of economic reforms gives reason to assume that cooperation of enterprises will already have become in the 1990s the main sphere of socialist economic integration. This will once again raise the question of the priority of cooperation of partners within the CEMA framework. Up to now this priority has been the result of political factors and the basic interests of the states. At present the main thing is the cost-accounting benefits of enterprises.

A number of major contradictions which are objectively inherent to the system of the socialist economy must be resolved on this path. We are speaking, for example, of the divergence of future and current interests of the states and main subjects of national markets—

enterprises; of the fundamental differences and incompatibility of the economic mechanisms of the various socialist countries.

Serious difficulties are arising in the formation of the prerequisites for a united market of the CEMA member countries because of the structure of international division of labor which has taken shape historically and which comes into conflict with the interests of the national enterprises, and because of the lack of proper adaptation of enterprises to the demands of the world market. This is manifested in the lack of competitiveness of output, in the fact that prices within the countries and on the CEMA market are out of touch with world prices, in the lack of convertibility of national currencies, and in the flawed nature of the collective currency of the CEMA countries—the transferable ruble (it is purely a means of calculation and is confined to bilateral clearing relations). All this proves how difficult it is and how long it will take to form a united market of the CEMA countries. Even now one can see that the participants have different degrees of interest in and readiness to unite their markets.

One may assume that the gradual transition to a united market will follow two interrelated paths. First, strong national markets will take shape, and, secondly, the process of their interdependence will continue.

Ahead is the lengthy transition of the involved CEMA member countries, through a number of stages, from the traditional centralized state forms of establishment and operation of integration relations to the free market relations of enterprises. In light of that the function of primarily indirect regulation of foreign economic ties within the CEMA framework should be assigned to the states. The gradual transition of a number of socialist countries in mutual division of labor to world conditions of trade and accounting has already begun. We are speaking of a transition to the basis of current world prices and world interest rates for credit and to a convertible currency in mutual contacts. Because of the inconvertibility of the CEMA member countries' national currencies and the lack of a collective convertible currency, the practice of using U.S. dollars and other freely convertible monetary units for trade and credit transactions is becoming more and more widespread.

As the role of enterprises as independent commodity producers, exporters, and importers is strengthened, the sphere of mutual market relations will expand even on the microlevel.

In the future a transition is possible to the creation of *free trade zones* of the involved socialist countries, and then to a *customs union*. In that case the advantages of international socialist division of labor will be realized more fully. Strictly regulated interstate economic integration of the CEMA countries will gradually become market integration, the main subjects of which will be enterprises. On the basis of the centripetal movement of national markets a united market of interested socialist

countries will appear in the future. But for now this is only a predicted historical trend.

One can foresee that even in the future socialist economic integration will retain elements of nonmarket relations, within whose framework the principle of mutual assistance will be realized and aid to developing socialist countries will be maintained on a certain scale.

#### Footnote

1. See: Bautina, N., "Economic Reforms in the Socialist Countries and Problems of the Perestroika of the Integration Mechanism," *EKONOMICHESKIYE NAUKI*, No 6, 1989; Shiryayev, Yu., "An Important Direction of the Foreign Economic Activity of the CEMA Member Countries," *EKONOMICHESKIYE NAUKI*, No 1, 1990.

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#### Finnish Experts Recommend Forestry Management Measures

90UF0061A Moscow *TRUD* in Russian 7 Apr 90 p 3

[Article by P. Volpyanskiy, *TRUD*'s own correspondent: "If You Cut Down a Tree, Plant Two: Finnish Specialists Offer to Reform Our Timber Industry"]

[Text] "Where does the Finn dream to live? On the edge of the forest, at a lake, in the middle of the city." This popular joke reflects the "scale of values" of the average inhabitant of Suomi: It stands to reason, urban civilization is an unquestionable blessing, but he wants so much to be a bit closer to the kind heart of nature. Occupying 65 percent of the country's area, providing work for 100,000 people and 38 percent of the annual receipts from export [6,000 dollars for every inhabitant], the forests for Finns are not measured exclusively in marks, tons and cubicmeters. The forest is still a way of life.

True, already long ago the times have passed when the forest was an integral part of the existence of the entire population, scattered in farmsteads in enormous forest tracts. But even now, almost every Finnish farmer "by way of holding more than one job" is both a forestry officer and a lumber-jack. The 300,000 private owners account for 63 percent of the total forestry area, 24 percent remain in the hands of the state, the remaining 13 percent are the property of enterprises, municipalities, communes, communities, and parishes.

"Such a structure creates a problem," Matti Pekkanen, the director-manager of the Central Union of the Timber Industry of Finland, decided to start with the painful. Of course, for our peasants the forestry as before is of help. But there are only 130,000 of them. And the remaining owners are urban people. Those have two extremes. Some are ready to throw everything under the saw, if only to snatch a large sum. Others, who do not understand forestry at all, "rise in the pose" of the protector of

living nature: "I will not let them have a single trunk—everything for the descendants!" But the point is that thus you will not save anything. The forest requires fellings. Only which and how many—this is the question."

The subject of ecology did not come up accidentally in the discussion. Clearly, to the director of the industrial association that is second in importance for the country's economy, such facts are no secret: Possessing 0.5 percent of all the forest resources of the planet, this state produces 5 percent of the world output of products made of timber, 15 percent of their export, and 25 percent of the global production of paper. In 140 countries 95 percent of all the products of the Finnish timber industry are received, which in terms of income put it after metallurgy and machine building. And in that case, they gladly invest money in the industry: 13 percent of the total sum of investments—a record position. And "for dessert" my interlocutor could save up the most advantageous information: During the postwar period, more trees were cut down here than all their quantity on hand for the present day in the country's forests. But up to now they prosper. And if they are ailing, it is not the fault of the fellings, but because of the poisoners of the environment—their own and the neighbors'. Moreover, the country is experiencing a certain surplus of industrial timber, but....

"This is precisely those hectares that have stood too long, and to which you cannot get near—their owners "are protecting nature." It is necessary to buy more. Mainly in the Soviet Union. This is natural. We are neighbors with a common border, at which 22 transportation arteries are in operation. You have 900 million hectares. We have only 20 million. It is a pity that on this account the legend took shape in your country to the effect that the Finns, it seems, protect their own forests, but they do not care about someone else's. Of the 45 million cubes of timber being used by our industry, Soviet export gives us 4-5 million.

This assertion is incorrect for another reason. We do, indeed, care for forestry in the Soviet Union. During the visit of M. S. Gorbachev to Finland in the fall of the past year, I succeeded in "knocking out" for myself exactly 10 minutes to set forth to him our views in regard to this. Naturally, glancing at the running second hand, I could not "spread the idea in regard to the tree"—the plan for the statement was "knocked down" to the maximum compactness. Its essence is as follows.

Finland has not only attained appreciable successes in the development of timber resources at home, but is increasingly widely transmitting its experience abroad. Already 35 states and 4 international organizations have been able to utilize it. Among our clients are not only Australia, Albania, and Nicaragua, but also the giants of the timber industry—Canada and Sweden. For each of them an individual "master plan" was prepared—that is the conditional name of the "methods for the long-term development of forestry and the timber industry" developed by us. The "master plan" can be likened to a

computer: It absorbs a maximum quantity of data and produces the optimum path of technological and socio-economic formation for an entire region. However, to apply a "master plan" to one-sixth of the land is even beyond our powers. For a beginning, we propose to compose such a project for Novgorod, Leningrad, Vologda and Arkhangelsk oblasts, Karelia, and the Komi ASSR—this is 200 million hectares of the timber resources of the USSR.

It goes without saying, such a model must be developed in accordance with a clearly formulated task and be aimed at the achievement of clearly outlined goals. For this reason, already during the early stage it is very important to achieve close contact between our consultants and the client, who furnishes data for the region, in particular for the forest proper, the timber industry and contiguous industries, environmental factors, possible sales markets, and human resources. I think that this information does not pertain to the category of "secret"—we live in the era of satellites, and we know almost everything about each other."

"But in our present difficult situation," I noted, "such restructuring of "timber resources", I am afraid, will be difficult to carry out. You see, instead of all the usual tons, cubes, and marks "only" sketches, maps, diagrams and graphs will be first and foremost. And further—the necessity of breaking the system of timber use that has taken place, the creation of infrastructures—roads, lines of communication, and many others things. Thus, rapid recoupment is out of the question?"

"I can say one thing: This is the only correct path, since it has already been proved by practice. Together we have accumulated rich experience of mutually-advantageous cooperation with respect to construction, the equipment and modernization of powerful production units: 4 phases of the Svetogorsk Cellulose and Paper Combine, 3 phases of the same kind of plant in Kondrovo, the Priozersk Timber Industry Complex, the enterprise for the output of wooden houses near Tyumen, the Ust-Izhora Plywood Combine. . . . But these are individual projects, which find themselves within the rigid framework of the old structures. It is more expedient to focus on the creation of a territorial production complex in any region, as we are proposing, in the North of the European part of the USSR."

"Obviously, it is necessary to foresee misgivings of many sorts. Let us assume we found the means, obtained the "master plan" and began this development. Will this not at first lead to a still greater reduction of the forests? Through the construction of transportation roads, cuttings, and loading sites. In our country voices are being heard increasingly loudly in favor of a sharp reduction of timber procurements."

"I will permit myself to disagree with the opinion of those in the Soviet Union who come out in favor of the curtailment of the development of forests in the name of their conservation. According to our data, you lose not only from extreme fellings and from the inefficient use of timber, transportation expenditures, and the lack of technologies for the processing of waste products. These losses are great. But mainly—from the impossibility in general "to reach" many of your storehouses in truly immense spaces. Only an uninformed person can say: "Well, thank God! There will be more left." Just the opposite. Only the scientific technology of timber use makes it possible, taking a great deal from the forest, to reckon that tomorrow you will receive even more. And without damage to the forest, and precisely promoting its reproduction."

"In short, our proposals are aimed at initially reducing, and then liquidating "the scissors" in the development of related and closely cooperating sectors of the two neighboring countries. The realization of the project will allow us to begin acting according to the principle "if you cut down a tree, plant two." In our country, this proposition has been put at the basis of the "Forest-2000" Plan, which was developed on the basis of the "master plan" for Finland. But without a developed infrastructure, the goal is unattainable. This, incidentally, is my answer to the adherents of purely prohibitive measures."

Having realized such a break-through, you could be assured of a powerful and rapid influx of capital and the latest technologies necessary for the advance of the industry to a level of high profitability. Then it will be possible to select any partners. However, I am convinced that Finland, in the future, too, will retain its reputation of the country of "green gold"—the only natural resource being self-reproduced. But not with God's help, but with human help.

**Commentary on U.S. Business Conference on Perestroyka's Challenges**

90UI0464A Moscow *PRAVDA* in Russian 20 Mar 90  
Second Edition p 7

[Article by Professor V. Danilenko, doctor of juridical sciences: "Trust Is More Valuable Than Anything; A Letter From Across the Ocean"]

[Text] **The Americans are closely watching the events which are taking place in our country. They often express their observations at specially organized discussions and conferences. One such conference, entitled "The Difficult Path of Perestroyka", was held recently at the U.S. Trade Center in Washington. I would like to share my impressions on it.**

The conference became a notable event. Such "heavy-weights" as Senator W. Bradley, economist V. Leontyev and other leading American specialists and businessmen participated in it. Therefore, we may believe that the thoughts and evaluations which were expressed in the course of the discussions generally reflect the attitudes of U.S. business and political circles. Also present at the conference were Soviet scientists, parliamentarians and publicists.

The divergence of opinions in evaluating the prospects of perestroyka was significant, yet I noticed that the Americans make no mistake about the essence and significance of what is going on in our country. "We cannot underestimate the scope of the changes which have occurred," stated Professor F. Starr of Oberlin College. "They concern not only Russia and not only Eastern Europe. Shifts in the 'tectonic plates' are taking place. These are comparable not with the reforms of N. S. Khruschev or A. N. Kosygin, but with the revolutions of the 18th Century. The views about the role of the state, the forms of ownership and the institutions of democracy are all changing... A new system of values is being formed. Integrating factors, which reduce the importance of boundaries in the traditional sense of the word, are gaining strength. The world is rising before us in its single multiplicity".

It is interesting to note that the question of whether or not American businessmen need to develop business relations with the Soviet Union was practically not discussed. Clearly they do, but in what forms and along what directions should this best be done? "Today in the USA there are practically no hostile attitudes toward the Soviet Union," said V. Leontyev, for example. "We are interested in you. Many are seeking to establish business contacts with you, but do not know how to go about doing so". The vice-president of Riggs National Bank of Washington, R. Itani, expressed himself even more definitely: "There is no sense in discussing whether we should help the Soviet Union or not. Here we have no choice. After all, we all live in the same world, and are interrelated parts of it. In helping you, we are primarily helping ourselves..."

Much attention was given to historical questions. The discussion centered around how major reforms were conducted in our country, and what ensured their success or failure. The problem presented was a strictly practical one: By relying on the knowledge of historical traditions, to define more precisely the essence and scope of the current changes, and to compute the prospects. The notion that ignoring history leads to a repetition of past mistakes resounded repeatedly. It is no wonder than one of the American professors noted that "capital investments in the study of Russian history are today quite profitable".

However, the American participants repeatedly complained that the development of mutually beneficial relations is hindered by an entire set of obstacles on the Soviet side. In the general plane these are excessively politicized views of economic contacts, the strict centralization of economic life which still remains, and the limitation of independence of enterprises in selecting their foreign partners.

One other large "minus" from the viewpoint of the Western partners is the absence of a precisely defined and stable legal base for economic relations in the USSR. This extremely upsets the American businessmen, who are used to operating within the framework of the law and to dealing with a predictable partner. "It is difficult to cooperate with you," said J. Hof in particular. "You are always changing the rules of the game. You cannot do that. That undermines trust in the system. And without trust, how can we speak of any contacts?..." Americans are also concerned by the ideological position of a significant portion of our society. The speakers noted that there are many in the USSR who have too cautious of an attitude toward the idea of a market economy and free competition, that we often lack initiative and enterprise. With such "baggage", is it possible to enter the world market, where the competition is extremely keen, and initiative and success are practically synonymous?

At the level of business relations, American businessmen are amazed by our undiscerning approach in choosing partners, our inability to orient ourselves in market conditions, our rejection of profitable deals and, on the contrary, our agreement to entirely unprofitable conditions. They do not understand the ease with which we lose possible income. And one more thing—our readiness to sell any and all, as long as it is for hard currency. There is something to think about here...

However, words of caution resounded also in address to the American "dealers" themselves. Of course, Western business is striving toward the USSR not from altruistic motives. Nevertheless, it should not abuse the inexperience of the Soviet merchants too much. Otherwise, this will cause a response reaction and strict limitations, and will lead to the loss of possible profits. And here too, we believe, there is something for the Americans to think about.

In my opinion, the proposal to cooperate in the preparation and retraining of management cadres of various levels for the Soviet Union was extremely important. Without managers who have a good orientation in the levers of the market economy, progress in bilateral relations is unthinkable. Exchange of students, trainees, professors, organization of a school for managers, etc. would be beneficial here. We also need to have regular meetings and conferences for Soviet and Western representatives. They help to better understand each other's needs and to define the sphere of coinciding interests.

The experience of joint enterprise which has already been gained received a positive evaluation. This experience must continue to be developed, said the conference participants. It is true, they added, that we can expect success only with greater legal determinacy in the Soviet Union. V. Leontyev suggested creating joint enterprises, including also on the territory of the USA, actively involving the financial means of emigrees to this venture. R. Itani for his part presented the idea of developing a unique "private sector plan for the USSR", stating that his bank is ready to finance private projects for giving aid to the Soviet Union. And, in his words, there are more and more such projects emerging in recent times.

Obviously, the successful realization of all these ideas will require deep transformations in the Soviet economy—and not only in word, but in deed. "We are ready to adapt to you, considering your specifics", stressed the Americans, "but we must not forget that we are nevertheless speaking about the Soviet Union's entering the established system of international economic relations, of adapting to it, and not vice versa".

Of course, the problem of convertibility of the ruble was also raised. However, as a rule, it was not related to the necessary conditions of a Soviet economic "miracle". After all, the currencies of Taiwan, South Korea, Singapore, and India remain non-convertible, yet this does not hinder active participation of these countries in international trade and a high rate of their economic growth. We might add that, in the opinion of the American specialists, we would have much to gain from the economic experience of Taiwan and South Korea.

The organizers of the meeting intend to publicize its results among American scientific and business circles. After all, this is valuable material which will help in working out practical solutions and in conducting theoretical research. I believe the conference materials might be no less useful for Soviet specialists as well.

**Progress of Soviet-French Economic Ties Viewed**

90UI0463A Moscow *PRAVDA* in Russian 20 Mar 90  
Second Edition p 7

[Article by *PRAVDA* correspondent V. Bolshakov: "...Yet These Machines Are Reliable; Comments On Our Economic Relations With France"]

[Text] Over 20 Soviet-French agreements on cooperation in various fields were signed during M. S. Gorbachev's official visit to France in July of 1989. How are they being fulfilled?

**Businessmen in training**

The Paris Chamber of Commerce and Industry is located near the Arc de Triumph, right across from the monument to Balsac, erected on the very spot where his last house once stood. The general director of the Paris Chamber of Commerce and Industry, Francois Essig, with a broad gesture invites Soviet and French journalists to sit in the first rows of the meeting hall. Aside from journalists there are the participants in the first Franco-Soviet seminar on "Training management cadres".

"The very title of the seminar," says F. Essig, "exposes a new direction in Soviet-French cooperation. Its basic principles were defined in the agreement signed by the government representatives of our two countries on 5 July 1989 during M. S. Gorbachev's visit. At the same time, a program of joint activity in this sphere for the next 2 years was approved".

The seminar, held in accordance with this program and with the agreement on cooperation of the All-Union Chamber of Commerce and the Paris Chamber of Commerce and Industry which was signed in September of 1989, is not so much a scientific as a practical measure. Therefore, it was the Minister of the Economy, Finance and the Budget P. Beregovoy who called it to order. This in itself emphasized the importance which the French government ascribes to the training of such specialists. This is also evidenced by Mr. Essig's new title—"Prime Minister in Charge of Questions of Soviet-French Cooperation in the Field of Training Management Cadres".

In Paris, as well as in Lyons and Grenoble, the seminar participants acquainted themselves with the organization of training of these cadres and the work of the major French universities, enterprises and banks.

"We have heard much about French special educational institutions and about the level of training of management specialists," USSR Deputy Minister of Foreign Economic Relations K. Fomichenko told our correspondent. "Yet it is one thing to hear, and another—to see and to take part. We have become convinced that we will be able to learn much here. Up until recently, we turned to the Ministry of Foreign Trade with all questions relating to foreign trade. Today, however, tens of ministries and departments and thousands of enterprises and cooperatives have gained access to the foreign market. They will need hundreds and thousands of specialists.

Re-training alone will have to be performed for about 15,000 specialists per year, who already have work experience and VUZ diplomas. They will also undergo in-service training abroad, including in France, whose role in this matter is hard to overestimate. The managers of our specialized VUZes and the USSR State Committee on Public Education who participated in the seminar were personally convinced that France has considerable potential in this field.

"How much will such in-service training cost us in currency?"

"We will not need currency," answers K. Fomichenko. "Everything is done on the basis of mutual exchange. Our partners, I might add, will also receive certain dividends from such cooperation. They will gain a better knowledge of the Soviet market and get to know the local managers of our enterprises."

"French specialists in the field of management," clarifies F. Essig, "will also teach in the USSR and live with you for a prolonged time, but already at your expense. In the same way, French students will receive instruction in the Soviet VUZes and gain practical experience in joint enterprises operating in the USSR."

Of course, one should not think that we do not have any training centers analogous to the French. Yet we do have much to learn from each other. Here is what a seminar participant, rector of the Academy of Foreign Trade under the Ministry of Foreign Economic Relations, S. Dolgov, says:

"We have a more fundamental general economic training. The French—and this, evidently, should be transplanted to our soil—have a better relation between general theoretical training and practical training. Practical experience for them is associated with directing graduates to specific enterprises, which we as yet cannot do, since our enterprises are not ready for this. Well and, of course, the abundance of technical means in French educational centers evokes an understandable, though not green, envy in us."

A. Denisov, director of the Verkhnevolzhskiy Cable Plant, is a practical man. Here is what he noted in France.

"We seem to have three stages in the preparation of future specialists. The first is selection. It is rather stringent, although benevolent. There is a competition and an interview, I might add at the place of residence of the aspiring candidate. There are around 8,000 candidates for 140 openings. The second stage is the process of instruction and education itself. Here the great independence of the students is attractive. There are fewer general lectures and more interviews. And the third is already the introduction into production of the trained specialist who has passed practical work training. As a rule, the graduates have up to 7 specific and interesting

job offers with a rather high salary. This is very important—not to lose the prospective specialist and to help him to get on his feet right away and continue to grow...

#### We saved a friend from bankruptcy

This case occurred in Normandy. Yet it has a pre-history. In 1963 the auction society "Aktif-oto" was created, a sort of prototype of the joint Soviet-French enterprise, although our "Traktoroeksport" holds 96.5 percent of the stock in it. It employs 47 persons, and of these only 6 are Soviet. Yet the company has its own administrative-production base in the city of Dammarie-Lis, 50 kilometers from Paris, with a spare parts warehouse and workshops. The plants supplying our tractors and other agricultural equipment send their specialists here, and at the first call they may go to any point in France.

However, they do not have to go out very often. Our agricultural equipment, in general, does quite well in France, even though it is not crammed with electronics like Western equipment.

"A farmer does not need a television on his tractor," says Franz Kallen, a farmer and owner of a family farm of 70 hectares, small by local standards, in the Normandy village of Burvil, where his wife and son help him with his work. He bought four Soviet tractors and has this to say about them: "These machines, perhaps, are not all that complex, but they are reliable. I am not interested in politics". There was one other circumstance, which made the old farmer prefer the Soviet tractors. Not far from his farm, in the village of Fontaine-de Dune was the "Sonomo" company, which was an "Aktif-oto" dealer. Over the past 20-some years, "Sonomo" has sold around 600 Soviet tractors and 180 agricultural machines, including combines, in Normandy. Yet after the death of Father Faru, the owner and founder of "Sonomo", his son, Francois Faru, was swindled by buyer-creditors, and the firm was forced to declare its insolvency. In such cases in France the law automatically steps in, and the company is placed under court control, which is implemented by a special court executor. If in 3 years the company does not fully cover its losses, it must liquidate itself.

"Sonomo" ran out of time and could not stay afloat. The company did not withstand the 3-year period. It was to be auctioned off. The prospective owners were clearly not interested in Soviet equipment. As a result, the prospect of losing jobs—and they are not so easy to come by in rural Normandy—faced those specialists who sold our tractors and combines and understood their workings, not to mention the fact that they had established excellent contacts with our "company men". The workers of "Aktif-oto" were able to prove to the Moscow management that the bankruptcy of "Sonomo" would be unprofitable for us. In Moscow they understood this and said: "Help your partner!" In other years, perhaps, they might have reasoned as follows: Well, why should we get involved and take risks? We will find another dealer

since this one has gone bankrupt. But perestroyka teaches us initiative, a really new way of thinking. So, a sensation was born, which was written up in all the Normandy newspapers and even mentioned in the newspaper of French business circles, ECHO. "Aktif-oto" bought a controlling package of "Sonomo" stock and became its co-owner. Part of this stock was purchased by 7 of the company's workers from their own savings, thereby saving their jobs. "Of course," they say, "if the Soviet Union had not come to our aid, we would have lost everything. We never thought that such a great power would care about saving such a small firm as ours".

Mr. Lemuan, that very same court executor who had controlled the activity of "Sonomo" for 3 years, and then conducted negotiations with "Aktif-oto" regarding its rescue, explains it like this:

"In the past 2 years, the methods of operation by Soviet firms in France have become noticeably more flexible. This, evidently, is what perestroyka is all about..."

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Perestroyka really does give rise to new forms of cooperation with France and other Common Market countries, forms of cooperation which were previously unknown to us. In just a few days, the letters received at the PRAVDA correspondence center in Paris reported the following: The "Bercar Krif Consultants" company has signed an agreement on creating a joint Soviet-French enterprise with branches in Moscow and in Paris. This company will provide professional consultations to Western companies on how to conduct business operations on the Soviet market. The International Chamber of Commerce located in Paris and the chambers of commerce of the CEMA states were interested in the problem of "Joint East-West Enterprises and Arbitration". The Institute of Political Studies in Paris has begun developing the topic of "Communist Systems. What is Their Future?".

As we can see, we are being studied seriously, and serious consideration is being given to present as well as future cooperation. This cooperation continues to develop in forms which are not always customary for us.

#### FRG Coverage of Soviet Internment Camps Questioned

90UF0036A Moscow SELSKAYA ZHIZN in Russian  
3 Apr 90 p 3

[Article by S. Pomerantsev, correspondent (Berlin): "In the Woods Near Sachsenhausen; Report from the GDR"; passages in boldface as published]

[Text] Three times in the past week the news media in the GDR and then in West Germany reported shocking news: The mass graves of people who had died in Stalinist internment camps in the first postwar years had been discovered. Horrifying pictures of the human

remains found in the excavated pits appeared in newspapers and on television screens. The first report came from Neubrandenburg. A mass grave had been discovered in the woods just outside the city, with the remains of what the press described as "2,000 victims of the Stalinist Fuenfeichen internment camp, which was in operation from 1945 to 1948. Starvation was the main cause of death."

Two days later there was a new discovery, this time in the woods near a rural community called Schmachtenhagen, close to the former fascist Sachsenhausen concentration camp, which, just as the Nazis' Fuenfeichen POW camp, was used for the internment of Germans after the end of the war. Finally, there was the discovery of what was assumed to be evidence of the "biggest mass burial in postwar German history" in Bautzen. A camp for internees also existed there in the municipal jail from 1945 to 1950. According to ADN press releases, from 9,000 to 16,000 people died in this camp as a result of "inhumane living conditions, starvation, and tuberculosis, or were sentenced to death with or without a trial."

Why have all these reports appeared now? Is it because they are highly convenient for the West German politicians who promised the population of the GDR imminent prosperity before the elections on 18 March? Stories about the former connections of many newly elected People's Chamber deputies with the now dissolved security service are also a good way of diverting attention from these promises. And so are, of course, the horrifying discoveries connected with the activities of "NKVD camps" in East Germany. In any case, NEUES DEUTSCHLAND suggested that an open letter from the West German Society for Human Rights to GDR Prime Minister Hans Modrow was the reason that the protracted investigations in Neubrandenburg were expedited.

Although the existence of postwar internment camps was an "inappropriate topic" here in the past, it certainly was not a secret. As the same NEUES DEUTSCHLAND commented a day earlier, camps of this kind were set up not only in the Soviet zone, but in all four occupation zones (in the East and in the West, the newspaper stressed, many innocent Germans were interned in these camps, and many of them died there).

It is common knowledge that the victors concluded agreements on the punishment or internment of many of the people who were involved in the affairs of German fascism: from Nazi criminals to the Germans who were "not guilty of any specific crime but could jeopardize the Allies' goals." At one time, for example, the decisions to close down the camps in the GDR were openly discussed in the East German press.

Until recently, however, the tour guides in the memorial complexes, whether Sachsenhausen or Buchenwald, carefully ended their narrative at the time Hitler's death camps were liberated by the Soviet Army or Allied forces. The public in the FRG seems to have been much

better informed about their subsequent history. G. Finn's booklet on Sachsenhausen is a good example. It was published in West Germany in 1988, but it was based on information in much earlier publications. It presents a chronological account of the camp's whole history—from the time the first 50 prisoners arrived there in 1936 to build the ominous "facility" to the time that "Special Camp No 7 of the Soviet Ministry of Internal Affairs" ceased to operate in January-February 1950. The author says that the special camp in Sachsenhausen was one of 30 such camps maintained by the "Soviet secret police" in Germany between 1945 and 1950....

I went to the Schmachtenhagen forest on the day following the first reports in the press with Kerstin Schleising, head of the Internal Affairs Department of the Oranienburg District Council (Sachsenhausen is located on its territory). We stopped by the recently excavated pit. The earth had been replaced, and a flower someone had brought there was lying on top of the grave. Someone had also set a candle there.

"There were excavations in 10 different places in this area before the human remains were found here on the 11th attempt," Kerstin said. "The search began after the district attorney received a statement from Schmachtenhagen inhabitant Kurt Mueller."

"What is the basis," I asked, "for the press reports which asserted from the start that the people buried here are the victims of a special Stalinist camp?"

"They are apparently based on the testimony of private individuals. There is no official confirmation whatsoever. We still do not know who these people were, how many there were, and how they died. To learn anything specific, we would have to exhume the bodies and conduct tests. Even then, it is highly possible that they would not prove anything."

The son of old Mueller, Rolf-Dieter, joined the conversation.

"In the last year of the war," he told us, "my father turned 17. He was drafted by the Wehrmacht, but he served for only a short time before he was taken prisoner. When he returned, one of his school friends offered to show him something and brought him to this place. There were pits here, and a human hand was protruding from the earth in one of them. This was in August 1945. My father was tortured by the memory and he told me about it when I grew up. Of course, everyone around here always knew that people were buried in this spot. When I was a boy and I used to come to this forest to play on my sled, I would tell my mother I was going to the mass graves. At that time we were sure that these were the graves of Hitler's concentration camp victims."

"Why did your father decide to make this statement now?"

"Until recently, political conditions in the GDR were different. If he had said anything about this then, he would have been locked up in a mental hospital at best. Incidentally, he tried to bring up the topic several times in private conversations with 'comrade officials.' They refused to take it seriously: 'What do you expect? It was a war. The Germans were killing the Russians, so why should the Russians have behaved any differently?' Even now, however, my father has not said, as one West German publication already reported, that he personally saw people being shot here. The people who live here heard shots and they heard the rumble of trucks in the night, but he did not witness anything—this is a lie. My father has a good opinion of the Soviet Union," Rolf-Dieter added. "He simply wanted to finally shed some light on everything he has been carrying in his heart for so many years."

The next day a search of a large part of the forest was announced. What will it turn up? It might confirm the worst possibility, that innocent people did die here, and this would please the people who are against friendly relations between the Germans and the Soviet people. For us and our friends in both parts of Germany, however, this would be another pinch of salt in the wound inflicted by the Stalinist regime. After all, the

GULAG camps did exist. Why should the same agencies show mercy to a conquered people?

It is also quite possible, however, that even expert investigations will not clear up the mystery of the Schmachtenhagen forest.

"In this case," Kerstin Schleising said, "the memorial grove will be removed from this site and a stone monument will be put up to mark it as a site of human tragedy. This is what the district council has already decided."

#### **When the Edition Had Already Reached the Composing Room...**

**Berlin, 2 April (TASS)**—Excavations by the servicemen of the national People's Army of the GDR in the Schmachtenhagen forest, on the territory of what was once Soviet Special Camp No 7 for the internment of Germans in Sachsenhausen, turned up human remains and rusty medals a meter below the surface. After the remains had been examined by experts, they were reinterred because it was impossible to identify them.

According to the experts, including some from the FRG, there were no mass murders or executions in the Soviet camp for German internees. This was announced by Wolfgang Tietz, scientific associate at the Sachsenhausen National Memorial.

**Lessons of East European Events Detailed**

90UF0022A Moscow NEDELYA in Russian No 11,  
12-18 Mar 90 pp 8-9

[Article by Doctor of Philosophical Sciences Anatoliy Butenko, chief scientific associate of the Institute of Economics of the World Socialist System, USSR Academy of Sciences: "Time to Learn Some Lessons: What Events in Eastern European Countries Tell Us"]

[Text] No one is about to deny that almost every Soviet citizen is attentively watching what is happening in fraternal European countries, and trying to make some sort of sense out of the events. The imagination is particularly astounded by the swift fall of the authority of the Marxist-Leninist parties that held power for so long, and by the outright collapse of the communist movement that was recently powerful here. What are the causes of this? Are they not similar to those which are also decelerating the restructuring of our party? I think that if we are not too late, this is the very time to make some conclusions, and to try to learn something. Consider the very old saying: "He who wishes rabbit for breakfast must hunt rabbit at night."

Externally, there is a veneer over the processes developing in these countries that imparts extremely decorous form to them: A democratic transition is occurring from the political omnipotence of one party—Marxism-Leninist—to a system of parliamentary democracy, within which a single party no longer rules; instead, several parties are competing with each other in a struggle for political power, for the trust and support of the electorate. But this, I repeat, is a veneer over the events. What is more essential is that this transition is itself stimulated by the failure of former powers, by the fact that the parties that had been governing here, and which had become saddled with bureaucracies and which divorced themselves from the laborers, led their countries into socioeconomic crises and dead ends, eliciting the displeasure and anger of millions. But even this assertion does not yet fully describe the occurring transition. It is much more important to reveal its internal essence, to clarify whether that which is occurring beneath this veneer is a rejection of the socialist path of development and confirmation of the power of a "new elite" desiring to impose gradual recapitalization upon the risen population. Who represents and guarantees the interests of the overwhelming part of the population—the laborers—in this process, and how?

There can be no doubt that the complex, contradictory events unfolding in our days in Central and Southeastern European countries, in which recently mighty communist parties which had existed and ruled for decades are splintering, growing smaller and disappearing from the political arena, will be subjected to study for several years to come, and not just by the parties which associate themselves with the ideals of socialism; but it is important to extract some lessons right now, at least for those communists whom the bitter cup has passed by for the

moment, and who are prepared to learn a few things so as not to disappear forever beneath the relentless millstones of history.

It is especially important for us—Soviet communists and all Soviet people—to ponder these lessons, and particularly right now, following the February CPSU Central Committee Plenum, which opened up the prospects of a multiparty system to Soviet society. A new approach to complex issues that have long awaited their resolution is coming into being.

Moreover the Soviet Union is an enormous state spanning two continents. Events are unfolding in our country at a different, slower pace than in the relatively small countries of Central and Southeastern Europe, and it cannot be otherwise. It is easier to rock a small boat than a huge ship. It is only to naive people, or to rascals who wish to mislead simpletons, that this circumstance is a basis for bemoaning the fact that while we started earlier, we've fallen behind our neighbors once again! In what way have we fallen behind? In the witch and communist hunt that has already started in some places? Are we behind in the rate of recapitalization and growth of unemployment? In the number of suicides? Or in what other way? And why is it so insulting to be behind? Could it be because we have become accustomed to "being first," to "marching in front," and to teaching others? On the other hand, could it be that things are even better now? Could it be that fate has finally granted us a possibility for learning from the experience of others? For pondering the lessons of history. What is their essence?

**The first lesson:** If communist rule rises to the task of renewing the socialism that was created under its protection, this does not cause the authority of communists to increase: In a number of cases it even decreases so catastrophically that communists are able to "stay afloat," keep from completely losing their authority, and remain in power only by taking full account of the serious consequences and exerting an improbable effort.

It stands to reason that the following conclusion from this is clear to all: In order that such situations would not arise, development of one's society should not be allowed to proceed as far as such crises, one's country must not be led into a socioeconomic dead end. But stating just this, I think, is still not enough. Because mistakes are not made only by those who never act. But what is to be done in the case where the mistakes have already been made, and the society has already found itself in a crisis or a dead end? Is it of any value at all for communists to implement perestroika or renewal of socialism, if the results are so woeful in such a situation, and primarily in the eyes of communists themselves?

Should the CPSU and its leadership have taken the initiative for perestroika, considering that bloody confrontations have begun in the Transcaucasus as a result, separatist sentiments are growing in the Baltic republics,

and the economic crisis is growing more acute, threatening a universal explosion of displeasure and all-out civil war? Should the Polish United Workers' Party have offered a seat at the round table to the opposition, so that having legalized it, it would suffer crushing defeat in the elections to the Seim, to become a half-hearted opposition party, which finally ceased to exist at its 11th congress?

Let's be frank: Every communist troubled by the fate of the entire communist movement has thought about things of this sort many times, and fretted within his soul at the ramrods of perestroyka and renewal. Sometimes things were even worse—cowardly doubt sneaked its way in: Are we not creating such difficult situations for ourselves through our own actions, are we not driving ourselves into a corner? Is the path of admitting mistakes, repenting and returning to the roots the one we really should be taking?

There are different answers to this general question depending on the initial positions of the person providing the answer, on his vision of events, and his relationship to socialism and the people, to his mistakes, and to those of others.

It is completely obvious that the answer presents no difficulty, that it is sufficiently clear and maximally simple, to all to whom socialism is a stillborn, fabricated idea imposed by the communists upon their people: Sooner or later, all of this was destined to happen, the people were destined to recognize that they were misled, and consequently that they must reject both the ideas of socialism and communists, and return to the capitalist fold.

But to those who believe that the idea of social justice is an idea that will live forever, one which cannot be brought down by either the crimes of J. Stalin and the Stalinists or by the grossest errors and distortions of those communists who attempted to implement their idea by means of bureaucratic, barracks socialism, the answer is also clear, albeit different: If it was precisely the trampled idea of social justice that raised millions of people in Central and Southeastern Europe, if it is beneath its banners that they are so decisively sweeping the bastions of neo-Stalinism and the injustice of barracks socialism away from the European continent, then only naive simpletons could think that these millions of people will so easily allow themselves tomorrow to be saddled by the yoke of capitalism's social injustices, the existence of which has never been disputed by anyone.

Of course, the thirst for retribution for yesterday's injustices of "real socialism" and the certain attractiveness of the still unexplored world of private ownership and its unlimited personal possibilities will necessarily result at some later date in the confirmation of "new" Western orders, as yet unfamiliar to many, and their testing for social justice.

But if we answer the general questions directly, the answer would be as follows: Communists vowed faithfulness not to their leaders but to their people; moreover they promised to wage an uncompromising struggle for social justice, and if they were deceived by communist leaders in this, and "real socialism" turned out to be Stalinist barracks socialism in fact, then following their oath of faithfulness to the people, communists should have done more than to part with this structure sooner or later: They were obligated not to keep it from confirming itself and assuming dominance.

This is the explanation for why the objective itself—renewing socialism—means admitting to past mistakes, and why it therefore adds no authority to communists. For the same reason the problem of whether they should or should not have begun perestroyka does not exist for communists. This is a question not for honest communist politicians but for political hacks, for intriguers, for all who believe that had M. S. Gorbachev not initiated perestroyka in the mid-1980s, the proponents of the old ways might have quietly sat on the neck of the people for another 5 or 10 years! Who knows, they might have at that! But could such communists have really felt themselves to be communists, then?

**The second lesson:** The later the ruling communist party comes to realize the social injustice of the social orders created under its leadership and the longer it clings to power, having lost its authority among the people, the stronger and deeper the split between the communists and the people and the more difficult it is to fill with good intentions the chasm that separates such a party from the laborers.

There is a good time for everything, but in politics, any delay is akin to death; any postponement here, and any inconsistency may carry the price tag of innumerable woes. All that occurred in late 1989 in countries of Central and Southeastern Europe shows that the faster and more decisively the communists themselves deal with the mistakes, omissions and distortions in their party and its leadership, the less deeply both the party and socialism are discredited in such a country and the milder is the people's anger at the party and at communists.

I would like to recall to those who are attempting to blame the bloody events in the Transcaucasus and their advent on perestroyka and its initiator, M. S. Gorbachev, and to blame those who convened the round table and began negotiations with the opposition for the defeat of Polish communists at the elections to the Seim, that the development of socioeconomic systems has its own logic, one independent of the nobility or lack of it on the part of the groups of communists holding the power: A system rotting to the core is doomed in all cases to inevitable demise. However, the way its fall will occur—in the form of a bloody fight, an uncontrollable mutiny or a "mild revolution," and whether or not it will crush its creators beneath its ruins all depends on many

circumstances, and chiefly on the actions of communists, their efficiency and decisiveness.

The development of events in the Soviet Union, Romania and Poland are a graphical confirmation of the differences existing here.

In the Soviet Union, an authoritarian bureaucratic system inconsistent with socialist principles has existed longer than in other countries. And its revolutionary perestroika began back in 1985—that is, earlier than in other fraternal countries. “The critical mass of explosive material which accumulated over decades of deformation and stagnation,” said CPSU Central Committee Secretary V. A. Medvedev at the February Plenum, “is such that any further delay might have elicited an upheaval of improbable force. We can see this now even more distinctly in the example of the Eastern European countries. It is my deep conviction that it was precisely perestroika, and the fact that owing to it we have been able to peel away the layers covering many problems and begin building new democratic mechanisms and structures, that allowed us to avert the gravest variant of the development of events, and avoid catastrophe.” Does this mean that Soviet society has already crossed through the zone of menacing dangers? No! “We received a possibility for converting the impending explosion into a controllable reaction, although this is only a possibility,” Medvedev went on to say, “and how we utilize this possibility depends on our present decisions and actions.”

As we know, in Romania such an explosion could not be avoided due to the criminal policy of N. Ceausescu and his associates: The beginning of transformations was late in other countries as well, which led to an enormous decline in the authority of communists and their parties.

Events developed highly dramatically in Poland. Polish United Workers’ Party Central Committee First Secretary Mechislav Rakovskiy [transliteration] was asked if it wouldn’t have been better for Polish communists if the PUWP and its leadership hadn’t proposed convening the round table and recognized the opposition to be a real political force. Here is what he answered:

“I am deeply certain, and I assert, that sooner or later, though more likely sooner, matters would have evolved to the point of the same sort of spontaneous processes as those occurring in Berlin or in Prague. Knowing the temperament of my fellow countrymen, it may be suggested that in Warsaw we might have had ‘two Pragues’ or ‘three Berlins.’ In my opinion we selected the sole correct path. This was, and is, the peaceful path, one under the control of all responsible political forces of the country in a time of transition from a system of one party’s omnipotence to a system of parliamentary democracy, in which not one but several parties are struggling for the trust and support of the electorate.

“A paradoxical situation was created in this way: The PUWP selected the sole correct path, but despite this, it will walk off the country’s political stage. Who was it that

decided on such a severe sentence for it? Several books could be written on this subject. Let us leave it to the historians. We, in the meantime, must confine ourselves to a lapidary answer, in accordance with the rules of political commentary. The sentence was passed by history. To put it more accurately, by the economic and political failures of ‘real socialism.’ We were unable to cast off in time the shackles of thinking which Stalinism imposed upon our formation. The reforms carried out after 1956, the year of the 22d CPSU Congress and N. S. Khrushchev’s famous report were half-way measures, saturated with constraints and even trepidation. One step forward, half a step back.... All of us were essentially seduced by absolute uncontrollable power.

“Obviously, I would be the last to ascribe my failures and mistakes to the Soviet Union. However, there remains no doubt that in the past decades our party had been under the great influence of the programs and plans implemented by the CPSU.

“Such is the truth which cannot be denied.”<sup>1</sup>

Let me add my own thoughts: Had the Stalinists and neo-Stalinists not deposed N. S. Khrushchev from leadership of the party and the country in 1964, and had the reforms continued, it may be suggested that Soviet society might have surmounted, by as early as the 1960s, much of what became a suffocating burden to the country in the 1970s-1980s. Extremely precious time was lost.

**The third lesson:** A multiparty system, even if it is less effective, is a stronger guarantee of society’s peaceful transformation than a one-party system.

The tumultuous events of 1989 show that in those countries in which a multiparty system persisted (Poland, GDR, Bulgaria, Czechoslovakia), although the discrediting of the communists and their party was accompanied by the collapse of the society’s former political structure, it nonetheless did not lead to catastrophic consequences. A number of socially important functions making it possible to control development and keeping it from acquiring a spontaneous confrontational, bloody nature, were transferred to other parties and organizations (“The People’s Forum,” “The Citizens’ Initiative” etc.).

But wherever a one-party system existed, as was the case in Romania, the discrediting of the supreme leadership, which relied in its despotic power upon the party apparatus, was carried over by the masses to the party itself (the demands to dissolve the Romanian Communist Party, and to ban it). Under these conditions a society which had created the Front for National Salvation, which relied on the army and which embarked upon gradual creation of a multiparty system actually found itself without the necessary political structures capable of mastering a nonstandard situation, and this turned out to be extremely dangerous. Throughout almost all of January 1990 Romanian society was threatened by a real

danger of becoming a plaything in the hands of irresponsible social forces—expansive high school and university students, hooligan elements and so on—capable of imposing their will upon the new but still weak government.

Intensification of this process, which compelled the Front for National Salvation to appeal to the working class for support, almost led to a direct collision between the opposing sides.

No less important is the fact that a one-party system, being the most adequate form for realizing the extremes of Stalinism (it does not even contain any formal institutions by which to express disagreement and dissent), also creates favorable conditions for aggressive actions by Stalinists in defense of rotten orders. The events in Romania in late 1989 are a severe lesson to all who underestimate the danger of Stalinism.

The bloody events in Timisoara and Bucharest revealed the malicious face of Stalinism in its modern guise: Neither material difficulties nor the lack of human rights are capable of shaking Stalinists in their defense of their uninspired government and their privileges. Moreover no sufferings of the masses, not even the blood of hundreds and thousands of people—nothing is capable of stopping Stalinists in the struggle for their own power, usurped from the people, in their aspirations to defend their illegal domination with reliance upon the party and state bureaucracy and the armed forces, and under the cover of Marxist and socialist slogans, in their readiness to crush the aspirations of their people, their fellow citizens for liberty beneath the treads of tanks.

Hungary and the Hungarian Socialist Workers' Party provide extremely unique experience in this regard. As we know, following the events of 1956, a one-party system evolved in Hungary, and the ruling party—the HSWP, led by J. Kadar—experienced the entire drama of the road from progressive detachment of the laborers to political brakes of social progress.

Formation of a multiparty parliamentary system in the country now combines two processes: on one hand, cessation of the existence of the former HSWP (at its last congress) and the advent of two parties on its basis—the new Hungarian Socialist Party and a renewed HSWP, and on the other hand, formation of a large number of other parties.

This path, as may be judged from today's state of affairs, does not deprive laborers of political representation, and it allows them to envision both the goals and the impending dangers. "We are faced by a long, painful period of renewal, the result of which will be a new socialist society," said Gyula Tyurmer [transliteration], the chairman of the HSWP in the second stage of its 14th congress in January 1990. Of course, the path toward this will not be simple, because "the situation in the country has grown more complex in recent times," he said, "the danger of capitalist restoration has arisen."

**The fourth lesson:** The more effort, difficulties and sacrifices were required of a certain people by the new orders and the more noticeable the positive changes which "socialist government" brought to these countries were, the more organic and consequently the stronger are they to the people of the country and the more difficult it is for antisocialist forces to turn such countries onto the path of recapitalization.

In order to persuade oneself as to the significant difference existing here, it would be sufficient to compare the strength of the revolutionary accomplishments of, on one hand, the Soviet Union, China and Vietnam, in which assertion of a new government was accompanied by a bloody struggle of their peoples for liberty and independence, with the strength of the new government and the new orders, on the other hand, in Hungary, Czechoslovakia, Poland, Bulgaria, Romania and the GDR, where the beachhead for consolidation of a "non-capitalist structure" was cleared by the victories of the Red Army.

Historians will have to return several times to the phenomenon of differences in the degree to which the ideas of socialism and communism have "taken" among laborers in different countries of Central and Southeastern Europe. It will necessarily be discovered that not only the unique features of historical development mentioned above, but also many other things—the level of real accomplishments or the depth of the real failures along the socialist road, the greater or lesser relationship existing between socialist organization and the national predisposition to order, and so on—all of this and many other things will lead, into a dead end, all who would wish to evaluate and explain the unsuccessfulness, the failure of socialism among different peoples of the "world socialist system" on the basis of the same template, who disregard the doubtlessly existing specific features and national uniqueness.

Who is it that said that only the successes enjoyed along the common socialist path possess national features? There are also specific, national traits attributable to the failures, to the mistakes encountered along the unsound common highway to socialism!

**The fifth lesson:** Modern proponents of capitalism in countries of Central and Southeastern Europe are not so primitive as to openly appeal to laborers to reject socialism in all cases, to beckon them to "fight" for capitalism. In the presently evolved conditions, considering both the lengthy domination of certain ideological stereotypes and the psychology of the citizens, there are grounds for believing that the course toward recapitalization will make headway gradually and surreptitiously as a rule.

Of course, wherever the socialist structure has been discredited extremely deeply in the eyes of the laborers, as occurred in Poland, statements are openly made concerning the "sunset" of the era of "real socialism" in

the Polish Republic, and concerning an unconcealed desire to restore capitalism in Poland, and in its old 19th century garb at that.

In other countries, however, as is obvious to everyone by now, the course toward recapitalization cannot be so visible. First of all not every industrial and farm worker who understands well enough that capitalism in any of its forms means exploitation of laborers is prepared to give his consent to the existence of capitalists and exploitation in his country for the sake of improving his material position. Second, the improvement in material well-being itself, which is anticipated as the return to the fold of capitalism occurs, will not happen overnight: Yet to be surmounted are the difficult times of transition accompanied by material imbalances (growth of prices, unemployment etc.), by the lack of social protections, by labor conflicts and by hard-to-predict turns in the conscience of the laborers, and consequently their actions. It would be laughable to think that the hope of achieving a situation where "We work like in our country but are paid like in theirs" will disappear very quickly and painlessly.

Not that long ago the **WASHINGTON POST** validly wrote: "The main issue now facing Eastern Europe and the Soviet Union is whether the people will be able to begin working in a new way. Eastern Europeans have not worked very diligently, because there was not much meaning to doing so over the span of four decades. Therefore next year it will be not only the politicians who will have to work more and harder if they want democracy to have a chance of survival."

Third, the old principle of not taking care of what we have and crying over what we have lost may also play an extremely evil joke upon today's apologists of capitalism who hope for painless assumption of the path of recapitalization of their countries: Even now, one could hardly find anyone bold enough to believe that laborers of Central and Southeastern European countries, who have been corrupted in many ways by leveling practices, by equipment idleness and by never-ending "smoke breaks," who have not yet fathomed capitalist labor practices, who have been habituated to looking at their state as an alms-house and at the administration as a cow to be milked, will change their ways without resistance and struggle and will become exemplary industrial and farm workers right away. There will be many things for which today's "promise-makers" of various sorts who draw pictures of rivers of milk and honey will have to answer for when it becomes clear to all that the promised capitalist paradise requires exceptionally hard work, which is something our laborers have not experienced for a long time now, and when it comes to appear quite different from what is portrayed in the fantasies of its present apologists.

Such are some of the lessons from these events.

#### Footnote

1. "The Goal—Democratic Socialism" Interview with PUWP Central Committee First Secretary Mechislav Rakovskiy, **PRAVDA**, 24 January 1990.

#### Polish Ambassador Ciosek Interviewed

90UF0054A Moscow **PRAVDA** in Russian 6 Apr 90  
First Edition p 7

[Interview with Stanislaw Ciosek, Ambassador Extraordinary and Plenipotentiary of the Republic of Poland to the USSR, by B. Averchenko and M. Tretyakov: "At Readers' Request: Ambassador's Views"]

[Text] At the request of our readers, we continue to tell about the work of ambassadors and embassies of friendly allied countries in Moscow.

Today our interlocutor is Stanislaw Ciosek, Ambassador Extraordinary and Plenipotentiary of the Republic of Poland to the USSR.

[Averchenko, Tretyakov] Mr. Ambassador, as is generally known, you have been a prominent participant in Polish political life during the past decade and have held a number of high-level state and political posts. Could you say a few words about yourself and your career, family, and interests?

[Ciosek] I think I'll begin with my hobby. I once said jokingly in an interview with a Polish newspaper that my wife is my hobby. But I don't know if such an answer would be appropriate for such a serious newspaper as **PRAVDA**. More broadly, I can say that my family is my hobby. I have two daughters, and they are the most important thing in my personal life. As you can see from my physique, I haven't engaged in sports for a long time, nor do I hunt. In short, I divide my time between my family and my work.

Let me briefly recount my political career. I held the post of Secretary and member of the Politburo of the Polish United Workers' Party Central Committee, which, as you know, is no longer on the republic's political stage. Before that I held the post of Minister of Labor, Wages, and Social Policy, and in 1980 I served as Minister for Trade Union Relations, which is to say the minister who held the talks with Solidarity and other trade unions. A unique ministry in world practice, wouldn't you agree. This had to do with the fact that the situation in Poland was also unique at that time.

Prior to that I held the posts of First Secretary of the Voivodship [Wojewodztwo] PUWP Committee and Chairman of the Voivodship [Wojewodztwo] People's Council in Jelenia Gora, a small voivodship [wojewodztwo] in southwest Poland. I was also a youth leader.

I grew up in a first-generation intelligentsia family. I am now 50 years old. Time is passing quickly. My wife is a

researcher. One daughter is studying in Moscow at Moscow State University, and the other—she's 13—goes to school.

[Averchenko, Tretyakov] For Soviet readers, it's somewhat unusual that, in conversations with Polish leaders and with you, the Ambassador of the Republic of Poland, the word "Mr." is used instead of the usual "comrade." But this is a specific present-day Polish feature that stems from the fundamentally altered alignment of political forces in the country in the past few years. Could you characterize the present political situation in Poland?

[Ciosek] Apparently, you'll simply have to get used to the word "Mr." In Polish, this means the traditional forms of address "pan" and "pani," which have been used in conversation for many centuries now. This shows respect for the other person. But the word "comrade" in Poland was used by the aristocracy. It was used in hunting, and later took on military overtones—such as in "comrade in arms." The word was borrowed from outside. Then it came to be used at meetings. In principle, there were two lives, so to speak, in Poland. One, unfortunately, was official, party, and public life, in which the word "comrade" was used. And the other was everyday life, as it were, in which the words "pan" and "pani" were used as forms of address. I think that this was an artificially created problem, and now we are returning to our roots.

Now a few words about the changed political situation in Poland. It has indeed been transformed. Rapid changes are taking place everywhere, and new social groups—new social classes, to use the old terminology—are are trying to find their place. It seems to me that we are on the threshold of a new epoch.

As a representative of the Polish state, and a man of leftist views by conviction, I believe that despite our technological backwardness, we have enormous potential in molding the human spirit. Specifically, a revolution is taking place in Eastern Europe on the basis of deeply ingrained transformations in human consciousness that we ourselves released. We let that genie out of the bottle by eliminating illiteracy, promoting culture, and channeling enormous resources into education and the molding of awareness. We have a good base on which to search for the new. And therefore I am adamantly opposed to a total condemnation of all that the leftist forces have done. It is easier to copy technology, to learn how to work with computers, and even to create new generations of computer equipment than to alter psychology and people's thinking. This takes decades.

And so we have embarked on a revolution with certain baggage. In a technological sense, we are still young, but in the sense of civilization—that I would dispute. Yes, it has indeed been a revolution, a fundamental change in the system of government. But has it been a cardinal revolution? I don't know, perhaps 50 years ago, someone will describe the present situation by saying that we overdramatized it. For example, one person held a high

post, and then he didn't; someone was a leader, and then he was a member of the rank and file; someone led a party committee, then he couldn't find work... To us, all these things appear to be some sort of frightening change. But if we go higher, we will understand that this is happening within the framework of the entire society, within the framework of the aspirations and desires of the entire people.

As for the party, I wouldn't dramatize the situation. The party should not be an end; it is only a means to an end pursued by a certain segment of society. There is in Poland a saying about the snuffbox and the nose, that they are often confused. The snuffbox is for the nose, not the other way around. It is the party workers who think that the end of the world has come, that a gigantic wave is sweeping away everything in its path. In fact, a natural process is under way. But the question is one of ensuring that it takes place in accordance with democratic principles, by civilized means.

[Averchenko, Tretyakov] Poland and the USSR are neighbors. Our countries are linked by not only political, economic, and military alliances, but also numerous people-to-people contacts. And for this reason, events in Poland are of interest to many Soviet citizens. This is borne out by numerous letters the editors have received from various corners of the Soviet Union. Many readers, on the basis of reports in the Polish press, ask bluntly: Does the T. Mazowiecki government's present economic policy mean a shift from socialism to capitalism? How would you respond to this?

[Ciosek] I personally believe that the social formation in Poland has not changed in the direction mentioned in the letters. The changes under way are not directed against people. Meanwhile, what are the slogans we have always proclaimed? We've said that we express the will of the majority. But as life has shown, that wasn't the case. And precisely therein lies our drama. I am speaking about Poland, of course. The natural consequence of this was the party's loss of power in the republic.

Some people will tell me that we are now going to have capitalism. But please explain to me what socialism is today and what capitalism is. I believe that we must create a system such that will give people a better incentive to work. In socialist conditions, as viewed from an organizational standpoint, we failed to combine fair pay with work results—to stimulate the growth of labor productivity. And we began to lag behind. The world surpassed us. We proclaimed the downfall of the capitalist system, that it was already collapsing. However, not so much capitalism as the peoples who live in the capitalist system found mechanisms that preserved incentives to increase labor productivity and combined all this with a steadily developing policy of social justice. However, it must be pointed out that capitalism has not been an effective path of development for all states and peoples. And generally speaking, does the traditional

division into socialism and capitalism really correspond to today's world? Or is it perhaps a key to a now-rusty lock?

I myself was Minister of Labor, Wages, and Social Policy, and I racked my brains over the question of how to give people incentives to work. We lost the race to raise labor productivity in the world. Labor productivity among Polish workers was several times below that of Japanese, German, or British workers.

We have to find—and, I think, not only in Poland but also in the Soviet Union and the countries of Eastern Europe—ways to make our work more productive. There was a time, more than 70 years ago in your country and over 40 years ago in our country, when communists armed themselves with the tools that socialist economic principles represent. Being poor peoples, we strove to break out of the past as quickly as possible. That was not easy to do in a backward agrarian country, a country that, furthermore, had been destroyed by the war.

Perhaps we might have succeeded in implementing socialist ideals and in creating an effective economic system were it not for the distortions and mistakes that were committed under the influence of Stalinism. But this is only conjecture. In reality, it turned out that we ourselves in the country's leadership failed to take advantage of the chance that history gave us. However, I want to point out that we created the industrial infrastructure in Poland. But we subsequently failed to promptly draw conclusions from the demands of the times.

One need not dramatize the fact that the PUWP has given up power, although this sounds strange coming from a former member of the former party's Politburo and an ambassador today. Of course, it can be said he who is full thinks everyone else enough to eat too. In that sense, I am full, since I hold a high post. But at the same time, I am an example that characterizes those who established the "round table," concluded a specific political agreement, and promoted all the new things that are emerging in Poland. We destroyed totalitarianism and absolute rule with our own hands and initiated a dialogue. There were quite a few of us in the party. It did not consist solely of conservatives. So how can one speak of the futility of our movement and our policies?

On the other hand, it seems to me that we need to create real changes for all forces in Poland, and this is a continuation of the "round table" philosophy, an effort to prevent the emergence of a single orientation in our country again. And I also want to say frankly that I did not foresee such a rapid turn of events in the Eastern European countries. We never even contemplated this as we worked to solve our own Polish problems. The fact that, as it turned out, we had a common ailment, that we were all infected with it—that's another matter.

Does this mean the end? No. I think that we are embarking on a better future, and that there is some good baggage for this.

There is a lot of talk about pluralism in our country today. The present situation in Poland reminds me of the constantly changing picture in a kaleidoscope. Thus far, the example of pluralism has been set by the former PUWP, which settled scores with itself [passchitalas s soboy], dissolved itself, and gave rise to social democracy, divided into two schools. A large number of former PUWP members have taken a wait-and-see position and are trying to get their bearings in the present situation. I don't know if you saw a certain cartoon in our newspaper: Workmen are using a crane to dismantle a monument to one person; under it they find another monument, which they also take down, and so on and for forth, like a matryoshka doll. I don't want that to happen.

I fear one thing: a monopoly, a repetition of the past.

Today, different political conceptions are clashing in Poland and throughout Eastern Europe, conceptions that, I'm convinced, must be reflected in the form of political parties. I think that several political parties will form in Poland. The fundamental question is what political orientations will win citizens' support. The May elections to local government bodies will be the first test of strength. One needn't fear a large number of political parties registered in the republic. That doesn't mean anything. As I see it, they will ultimately coalesce into three or four traditionally European political orientations, including the socialist one.

The Catholic Church in Poland doesn't particularly want to get involved in politics, even though life compels it to. I myself drew it into politics—at the "round table," for example, since it has great moral authority and is an influential political force. Sometimes a situation arose in which it was necessary to reconcile us on many issues. This was done by the Catholic Church.

In short, the political situation in Poland today is as follows. The leftist forces have been defeated and have lost their bearings [poteryali svoyo litso]. They are forced to consent to harsh methods of governance.

Real wages and the standard of living are declining in Poland today. We are obliged to find a way to run the motor of social development at full power. For the present it is running at half capacity in our economic mechanism.

What do we have today—capitalism, or has common sense prevailed? Somebody who is drowning will clutch at straw, as they say. Some think that Mazowiecki and his government are reverting to capitalism... I can say one thing. This is not movement backward, to the 19th century and to the capitalism of that epoch. On the other hand, the socialist methods we have used have failed to produce results. What were we to do? Subordinate the development of society to the affirmation of

doctrine? Stop or retreat, with the party leading the way? We deliberately took the path of systemic change, in order to move forward. One needn't attach obsolete labels to what we are doing in Poland. We have to go through a period in which life is going to be hard. There is no other way. If somebody calls that capitalist methods, there's nothing we can do about it. We constantly use traditional notions.

On the other hand, do you really think that the West is going to invest capital in Poland? I know of countries that offer a cheaper and more disciplined workforce than we have. Our own workers will demand good terms. A person who grew up under socialism is not going to let anyone oppress him. But I don't believe that capitalism will triumph in Poland in its previous form. We are now looking for a way out of a complex situation, in order to invigorate production. Let's not be in any hurry to come up with names for this. At present, the private sector in the Polish economy amounts to a few percent of the total. Say we increase it by 100 percent, by 200 percent, by 400 percent. Will that really be capitalism? An enterprise whose shares are held by the workers it employs—is that really capitalism? We are proclaiming equality for all forms of ownership. May he who gives the most to society win this competitive struggle.

[Averchenko, Tretyakov] During M. S. Gorbachev's meeting with T. Mazowiecki in November 1989, it was said that Soviet-Polish cooperation is firmly rooted in the vital interests of the two states and peoples. More than four months have passed since that meeting. Could you tell what steps the Polish side is taking in the area of developing relations between our countries?

[Ciosek] It will be better for me to philosophize a bit on this subject, not just cite facts. With respect to economics and day-to-day affairs such as deliveries of our goods to your market and of Soviet petroleum and gas to Poland and the fulfillment of old contracts, negotiations are under way on these issues. However, fundamental barriers are arising. Polish enterprises are autonomous, independent, and self-managing, and our prices are high. They are market prices—extremely so, since we have to soak up excess money from the public. Until prices exceed production costs. Your enterprises, by contrast, continue to operate under centralization, and prices in your country reflect virtually nothing in economic categories.

Consequently, the two mechanisms don't match each other. As of January of this year, we shifted to a market system. What prices should we pay for Soviet goods? The ruble does not correspond to its exchange rate, and there is a crisis in the Council for Mutual Economic Assistance, which is searching for a new accounting system and switching to freely convertible currency and world prices.

For the next several years, there will be big problems in our economic affairs. New economic cooperation is being born amid pangs. In the embassy, we are always

paying attention to efforts to prevent dismantling of the infrastructure of trade with the USSR. When we create strong economic foundations, that infrastructure will be essential for normal, mutually beneficial trade. Poland accounts for 10 percent of Soviet foreign trade turnover, and the Soviet Union accounts for 30 percent of Polish foreign trade turnover. These are big figures. Especially in view of the fact that we cannot buy many of the goods that you offer in the West or in another hemisphere because the transport costs are too high. This also applies to you, of course.

Today, there are constant disputes between Soviet and Polish trade delegations, even high-level delegations. These disputes include technical matters—who is losing how much. They amount to downright haggling. And thank God they're taking place. When our traders and your traders hold discussions between themselves, that's better than talks between politicians, and better still than talks between military people. The past almost five months have seen progress in our economic relations, but that's a short period of time for devising a new concept of economic cooperation.

We must also open the border between our states. That time is approaching. Just look at what's happening along the Soviet-Polish border, how it's bustling with activity. I want to emphasize that our orientation is toward the East. I have repeatedly said that we and the peoples of the Soviet Union have to sail in the same ship for the Golden Fleece of Western technology.

I watch with apprehension at how we are unable to devise a concept for producing a joint television or automobile. A frequent response to this question is that we are a small country and cannot become dependent on the USSR, that it could cut off supplies of petroleum and gas. But in the modern world, none of this applies. For example, Poland produces the tail section of the Soviet IL-86 aircraft, without which it cannot fly. We need each other. Any other approach to this question is an anachronism.

Now a few words about cultural contacts. It seems to me that Polish culture is represented too weakly in the Soviet Union, in view of the needs and possibilities. Relatively few Polish films are shown on Soviet television. There was a time when our films were fashionable in the Soviet Union, but today they appear on the screen less and less often. Yet our culture remains as rich and diverse as ever. Polish cultural figures include many friends of the Soviet Union.

Nor do we have a real Polish cultural center in Moscow. The one we have operates only twice a week, and not even in its own building at that. Would that you could help us in this matter. For our part, I promise that as soon as we receive our own building, we will renovate it in the shortest possible time, and it will be a magnificent place for Polish culture in your capital.

As for Soviet-Polish contacts in the field of science, I have no criticisms as in the case of cultural cooperation. There are good contacts, and they are developing successfully.

[Averchenko, Tretyakov] The Polish people are known throughout the world for their regard for tradition and the memory of the dead, especially those who laid down their lives on the battlefield. And for this reason, instances in which groups of young hooligans have desecrated the graves of Soviet soldiers who gave their lives for Poland's liberation from the fascist invaders, and hysterical campaigns that are being waged over the monument to V. I. Lenin in Krakow and memorable sites associated with Vladimir Ilyich's stay in Poland have stirred deep indignation among Soviet people, especially war veterans. How do you assess such incidents?

[Ciosek] Listen, you can't consider renegades to be representative of the entire people. The presented view of this question is exaggerated and incorrect. I condemn any instances of hooliganism and destruction of monuments. But you must also understand that the motives of many young people taking part in these acts run deep. They include complaints about our system and about the mistakes that have been made over the past 40 years. They have complaints against us, former party members. To a certain extent, this explains their deeds. I condemn their behavior, but on the other hand, I try to understand these people. I ask you to understand that such acts are not directed against Russia or against the peoples of the Soviet Union.

But this does not apply to the desecration of Soviet soldiers' graves. Such acts are hooliganism pure and simple. Crime is rapidly growing in our country. Acts of desecration of Catholic Church facilities are also taking place in Poland. These acts are being perpetrated by social renegades.

I understand that Soviet mass media show only what is of concern to you. We, on the other hand, are concerned about the violation of ethical norms. It seems to me that these processes must be seen in all their complexity. Mikhail Gorbachev is only of the most popular people in Poland today. This too must be shown.

In this connection, a few words about our Eastern policy. We don't want to move our country to the other side of the Atlantic Ocean. Here, in this part of Europe, we are obliged to establish friendly relations with our neighbors. These relations must be healthy and of a new character. I think that we must establish effective trade ties and truthfully disclose the history of our mutual relations, including the "blank spots" in it, in order to close that matter once and for all and to tell the whole truth. Even the most bitter truth is better than silence.

The West is joining together in a single organism. And how do matters stand in our CMEA, what are the prospects for equalizing living standards in our part of Europe? The problem of unification and cooperation throughout

Europe is arising. It would be good if we too occupied nice apartments in the common European home, having a sunny side, not a cloudy one. Consequently, this home must be built according to a just design.

A fundamental issue for Poland arises in this regard—the unification of the two German states. It must not occur at Poland's expense. M. S. Gorbachev's statement on the issue of the two German states' unification marked a great step forward in Poles' perception of the Soviet Union. You were the first of the victorious powers to speak of the need to provide guarantees of the inviolability of the Polish western border. This was said explicitly, without reservation. For us, this is a fundamental issue that guarantees the security of our people and their further development.

[Averchenko, Tretyakov] As we know, the present economic situation in Poland is complex. Will that situation have an effect on the operation of the Polish Embassy in Moscow, and what are your plans for the immediate future?

[Ciosek] Today we are having to resolve numerous issues, to participate in various matters, to overcome distrust in your country, and vice versa.

I am helped in this work by the fact that, on one hand, I was in the leadership of the former party, and, on the other hand, that I am one of the initiators of the "round table." Even then I had close contacts with those who lead our country today. Consequently, I serve in Moscow as a kind of symbol of the political contract that was concluded at the "round table" in Poland.

[Averchenko, Tretyakov] And a final question, if you will. Poland has long had a well-developed revolutionary movement. Let us recall L. Warynski's [Warynskiy] "Proletariat," the heroic creation of the Workers' party, and its unification with the powerful Socialist party. Has this tendency been lost, have socialist ideals been lost?

[Ciosek] A party of leftist forces in Poland (bearing in mind the inadequacy of the notion "leftist forces") that represents the interests of not just the working people is essential. But I don't think the time has come for broad-based activity by such a party. For the time being, we must all make up for lost time and consent to a decline in our standard of living.

I am united by common Polish national questions with all forces representing leftists. The tree called Poland, in order to bear fruit and to thrive and grow to the fullest, must be rooted in various political orientations. We serve a single cause, while representing various political movements.

It seems to me that, when the period of hardships and belt-tightening passes—and people in our country expect it to last several months—the present political course will be followed by a mass of social problems, unemployment, and human suffering. We will have serious problems in the development of culture, public health, and so on. And then the conditions will be ripe for the formation of leftist parties in Poland, in order to resolve all these issues and to

protect people. Citizens will themselves start organizing into parties and political and public organizations. Whether they will take the same form as today I don't know, that's not important. That's the first point. Second, the political system will need leftist forces. To keep it from becoming monopolistic, so that there is an alternative, so that a new nomenklatura doesn't emerge in Poland.

In conclusion, I want to emphasize once more that if we prove unable to create a modern political system in Poland that represents the interests of various strata of society, we will not avoid the threat of national conflict. I dream of a political system that would serve the interests of all Poles—above all the working people, needless to say.

### Romania's National-Liberal Party Profiled

90UF0016A Moscow PROBLEMY MIRA I  
SOTSIALIZMA in Russian No 3, Mar 90 pp 32-33

[Article by Vladimir Ganin, journal staffer (Bucharest): "Behind the Scenes of the Political Stage"; passages in boldface as published]

[Excerpt] One of the distinctive features of Romania today is the appearance of a so-called political stage in the country. Its "foundation" was laid by the law on the registration and activity of political parties and social organizations the National Salvation Front Council passed just before the new year. Although the "construction" has not been completed yet, those who are taking part in "building" it are using the "facility" for its express purpose. At any rate, when I entered the headquarters of the National Liberal Party (NLP), campaign tactics for the upcoming elections were being debated in earnest.

### "We Must Teach Our Youth Democracy"

After the NLP came into being in 1875, it experienced several dramatic reversals. Although the party was one of the main political forces fighting for Romania's independence and taking an active part in strengthening its government, it was nevertheless dissolved in 1938 by King Carol II.

Members of the NLP were persecuted during the years of Antonescu's fascist regime. In 1944, after the uprising in August, they became involved in national politics again, but in 1948 the party ceased to exist once more.

Today, after 42 years of actual non-existence, the NLP has begun operating legally again.

"I think it will play one of the leading roles in the determination of our country's social and economic policies soon," said Ive Sandulescu, secretary of the Organizing Committee for the Revival of NLP Activity. "To put it concisely, we will strive to stimulate private business and uphold the idea of a denationalized economy. Our goals are a preferential credit policy, the guarantee of all of the constitutional rights and liberties of citizens, the separation of the legislative, executive, and judicial branches

of government, and the reinforcement of national independence with the retention of good relations with all states wanting this."

The present NLP leadership realizes that the upcoming elections will be a serious test for the party because it does not have any notable political experience whatsoever.

The same can be said of other parties. According to experts, no party will be able to win the decisive majority of votes needed to form a government. For this reason, the NLP, as I was told at party headquarters, will probably form an association with the Social Democratic and Peasant parties, and they have already reached a mutual agreement on this. They feel that this bloc would have a chance of winning.

Ive Sandulescu, who headed the NLP youth organization until 1948, is disturbed by the fact that whole generations were born, grew up, and reached maturity without ever knowing what democracy is.

He defined the main objective of the party's veterans: "We will have to teach our youth how to act under the absolutely unfamiliar conditions of freedom."

He believes that two priorities exist today in the development of social life. The first is the expulsion of all those who built their lives on compromises from the present structure of public administration. The second is the recovery of the Romanian economy. If the attainment of these objectives is postponed, prosperity, democracy, and freedom will be in grave danger.

The leaders of the NLP see another exceptionally disturbing fact in the present situation. All power in the country is now concentrated in the hands of the National Salvation Front. Because of this clearly privileged position, the front would certainly have no competition whatsoever if it were to nominate its own candidates for the election.

"We regard the front as an alliance of the country's democratic and patriotic forces, an alliance which was endowed with supreme power by the people so that it could establish the necessary conditions for the people to decide their own future," Ive Sandulescu explained his point of view. "The NSF is the supreme organ of government at this time, but it should be dissolved immediately following the publication of the first election results. If members of the front want to campaign for seats in parliament and the future administration, they should resign from the offices they occupied spontaneously by riding on the crest of the wave of people's revolution and should join parties upholding their own convictions or form new ones. Within the framework of political pluralism, nothing can keep some of them from forming a new communist party, under any name whatsoever, and judging by their remarks, they are not completely against this idea. [passage omitted]

### Political Futures of Nicaragua, El Salvador Discussed

90UI0468A Moscow *IZVESTIYA* in Russian 20, 21 Mar 90 Morning Editions

[Article by Ye. Bay, special correspondent (San Salvador-Managua- Moscow): "Central America: Between War and Peace"; passages in boldface as published]

[Morning Edition 20 Mar 90 p 5]

[Text] There have been few external changes in the Nicaraguan capital since the elections. Huge billboards with pictures of D. Ortega holding his daughter in his arms still tower over its main streets. "We won," they say. "Now everything will be better." The Sandinista-controlled radio stations are still broadcasting revolutionary music, and young people wearing T-shirts imprinted with the slogans of the Sandinista Front have reappeared on the streets.

#### I. Nicaragua

The campaign propaganda has grown somewhat stale, of course, and one of the campaign banners endorsing the Sandinistas had been dislodged by the wind and wound around the axle of our car on the highway. As soon as the car stopped by the side of the road, one of the thousands of grimy children here ran up to lend us a hand. The axle was freed and the boy immediately turned to the driver with his palm cupped: "Give me something, Señor!"

The slogans are disappearing but the people's worries about their next meal remain. Just before the election, renowned local economist J. Gorosteaga assured me that if the Nicaraguans had to choose between "gallo pinto" (rice and beans) and dignity, the majority would choose the latter. He was referring to the national dignity Nicaragua had been defending for 10 years in the struggle against American imperialism. The economist was wrong. The press and other observers are unanimous in the opinion that most of the voters were protesting the government's inability to feed its own people and were voting against the poverty that was paralyzing the people's will. Their opinions only differ in one respect: Some put most of the blame for the crisis in Nicaragua on the Sandinistas, and others blame the disastrous conditions in Nicaragua mainly on the contra operations and on the U.S. economic boycott.

This is a reasonable but inadequate explanation. I am certain that the overwhelming majority of voters cast their ballots for "gallo pinto" and for dignity—human as well as national—on 25 February.

In July 1979 the rebel columns entering Managua received an enthusiastic welcome from the people. The triumphant revolution had won the support and sympathy of most states. Not one of the Sandinistas' allies, not Havana and not Moscow, demanded that the revolutionary government adhere unconditionally to the socialist pattern. For F. Castro, the Nicaraguan model of

political pluralism, a mixed economy, and non-alignment appeared to be the embodiment of his own dream—a dream which was never realized in the era of cold war, when the fierce confrontation between the superpowers forced the Cuban leader to take a radical stance. Moscow also had a favorable view of the Sandinistas' social-democratic standards and took every opportunity to encourage their reliance on economic aid from the West European countries.

The experiment failed, and it is not simply that the Sandinistas lost the election—they received more than 40 percent of the votes and they still represent the largest political party in Nicaragua. The defeat, just as in the East European countries, was suffered by the very model of government by a single party with unlimited power, backed up only by military strength.

I had a chance to go to Nicaragua in 1983, 1984, and 1986, during periods of relative calm and of the intensification of battles, during periods of the relaxation of tension in relations with the United States and of dramatically escalating confrontation. A single tendency was evident during all of these high and low tides. Behind the fanfare of patriotic propaganda, the state which was supposed to unite the nation was gradually isolating itself from the people. The promised pluralism turned into authoritarianism and the totalitarian control of the population through the diversified network of Sandinista Committees for the Defense of the Revolution and the frequent cases of police brutality. The promised equality of all forms of ownership was nullified by government interference in the affairs of the private sector and by the infringement of the freedom of labor unions, which alienated businessmen and a sizable segment of the labor force. The ruins of the 1972 earthquake in Managua, which were never cleared away, have become eternal monuments to the impotence of the regime, and so have the homes the poor have fashioned out of dirty crooked boards and pieces of tin (only in Haiti have I ever seen anything like this), with the shafts of Sandinista flags piercing them like spears. The Nicaraguans agree that, in spite of certain advances in the social sphere—free medical care and education—life is worse now than it was under the Somoza regime. What then was the purpose of the revolution?

Was it "gallo pinto" or dignity? Is there any dignity in a situation in which local authorities threaten to revoke the ration cards of the poor if they do not attend Sandinista rallies? When hundreds of young Nicaraguans were dying on the frontlines of the war while the Sandinista leaders were riding around Managua in custom limousines, living in huge mansions, and enjoying all types of privileges, was this the promised social justice?

I remember something that happened in 1986, when I was on the base of a large military unit billeted in Jinotega. The unit commander told the Soviet journalists who had come there that heavy fighting had broken out not far from the city between a Sandinista company

and a superior contra force. Air support and a missile attack from the air were needed urgently. "We have the hardware," the commander said, "but the military representative from Managua has not arrived yet." We waited for him for a day and a half and then learned that he had arrived in Jinotega long ago but was spending his time with a young lady. This was far from the only such incident. Even the war was handled carelessly here, with countless cases of mismanagement, incompetence, embezzlement, and much more. Only the threat of direct U.S. military intervention frightened the government.

Around 50,000 people attended the last opposition rally before the election. More than 500,000 were at the last Sandinista rally in Managua, but how many tens of thousands of these people who chanted "Daniel, Daniel!" (and believed that the election would be secret) later cast their ballots for the opposition?

I certainly do not want the reader to think that this is just another example of our old tradition of never criticizing foreign leaders until they have been unseated. I am simply explaining why the Sandinistas lost the election in this critical analysis of their performance. After all, we set even stricter standards for ourselves.

What now? The situation in Nicaragua today is, as the Latin Americans say, "inedita"—"unpublished." For the first time in the history of the continent, a party which took over the government with weapons in hand and ruled for 10 years has lost a free election and has decided to willingly relinquish its power to the opposition. This is a new modus vivendi for the Sandinistas, who appear to be blazing a new trail for themselves and for all leftist forces on the continent. How can the slogans of social revolution be defended from the opposition camp rather than from the heights of government? How can the party retain its vitality in fierce competition with other political parties? It is no wonder that election reports in the Latin American press project the events in Eastern Europe onto Central America.

Even the chief ideologist of the National Opposition Union (UNO), Alfredo Cesar, adviser to President-elect Violeta Chamorro, spoke to me about "perestroika in Nicaragua." Since May 1987 he has been an active member of the contra directorate, representing the delegation of Nicaraguan resistance forces at the talks with the Sandinistas in Zapoa. He returned to his native land last year after the amnesty was declared.

Our elections, he said, took place at a time when the democratization of the entire Latin American continent was picking up speed, at a time when states had rid themselves of dictators but were encountering colossal economic difficulties. The USSR and the United States are building a new type of relationship, in which peace and economic progress are the highest priorities. Nicaragua must put an end to the conflict and warfare and become a part of the changing world.

The new government, in Cesar's opinion, has three trump cards the Sandinistas did not have. Most of the

private business sector trusts the UNO. The opposition team has capable managers who are ready to take charge of public administration. The final asset of the future government is the support of the United States.

It is true that the opposition managed to win the support of the prominent businessmen in the country. Dona Violeta's campaign manager was her son-in-law Antonio Lacayo, a man with years of experience as a capable administrator of the largest private enterprises in the republic. Other team members are the well-known pragmatic economist Francisco Mayorga, prominent labor leader Antonio Jarquin, and eminent jurist Oscar Heredia. These are the professionals who will eventually have to stand at the wheel of the ship of state.

There is still the possibility, however, that the bloc which was formed for campaign purposes might remain a single entity. It consists, as we know from earlier reports, of 14 different political parties and was able to unite such sworn enemies as the conservatives and the orthodox communists only on the basis of their hostility toward the Sandinistas. According to PANORAMA, an authoritative magazine published in Costa Rica, the internal squabbling in the UNO was still going on a week before the elections, and Vice President-elect Virgilio Godoy is, according to public opinion polls, "the least popular politician in the country." As PANORAMA asked, "If the UNO was unable to reach a consensus before the elections, what will happen to it after 25 April?"

The prospects for U.S. economic aid are still vague, although the opposition bloc expects something from the United States in exchange for "purging the country of the Sandinista ideology."

There is no question that the White House administration was pleased with the results of the Nicaraguan elections, interpreting them as clear evidence of the success of its own policy. There is no doubt that relations between the two countries will be normalized soon. Even some members of Violeta Chamorro's team, however, are not certain that the United States can easily come up with the large sums (the 300 million dollars in aid the White House announced cannot do much to change the situation) needed for the restoration of a completely paralyzed economy. It is probably no coincidence that LA PRENSA reported under a huge headline on its front page that the Soviet Union would continue honoring its commitment to deliver oil to Nicaragua.

In spite of all the complexity of these economic problems, Nicaragua's main clashes in the near future will take place in the political sphere. Stability and peace will depend largely on the answers to difficult questions about the status, structure, and administration of two ministries—the Ministry of Defense and the Ministry of the Interior. One of the first signs of conflict was seen immediately following election, when THE NEW YORK TIMES reported that Interior Minister Tomas Borge "implied that he was planning to resign after the opposition government takes over on 25 April." One of the

Sandinista radio stations denied the rumor the very next day, saying that Comandante Tomas had never even met the NEW YORK TIMES correspondent in Managua.

Daniel Ortega, who is described by the American press as "an intelligent and honest politician," announced that he was "completely willing" to respect the constitution and the decisions of the future government. This position should be supported by other members of the "Nine," the highest organ of the front, although it is apparent that some of the members are reluctant to accept the radical changes in the country.

The Sandinistas say that they still hope for an eventual Polish solution to the problem, said Vice President-elect V. Godoy (he was referring to the talks in Poland which led to the formation of the coalition in which Communists kept the offices of minister of national defense and minister of internal affairs). But we say, Godoy stated, that this is impossible. I will remind you that just before the elections, when the Sandinistas were certain they would win, they warned that they would not allow any member of the opposition to hold government office.

The most difficult problem is still the need for the rapid disbandment and disarmament of the contras, which is what the Sandinistas, the opposition, and the U.S. administration all want. The rebel leaders, however, have taken an intransigent stance, declaring that they will not lay down their arms as long as the two key military ministries are under Sandinista control. Obviously, all sides will have to make compromises, and as London's FINANCIAL TIMES commented, "both the winners and the losers will have to show restraint on the road to national reconciliation."

This discussion would be incomplete without some mention of another extremely important fact. The Nicaraguans must have noticed that the Soviet Union announced its recognition of the future government of Nicaragua on the very next day after the elections. The results of the Nicaraguan elections were just as much of a surprise to our country as to the rest of the world—a surprise, but certainly not a tragedy. There is no question that normal civilized relations can continue to exist between our two states, and there is also the possibility that only now will we have a chance to base our trade with Nicaragua on genuine mutual advantage.

"Nicaragua has ceased to be the scene of ideological conflicts between the right and the left. It has ceased to be a headache for the United States," THE WASHINGTON POST remarked. I think that, on a different level and on a smaller scale, we can say the same about our relations with Nicaragua.

Nicaragua is moving from war to peace. The elections in Nicaragua have had repercussions in all of Central America, especially in El Salvador, where the civil war is still going on. This will be the subject of the next article.

[Morning Edition 21 Mar 90 p 5]

[Text] The first thing you see when you come through the "bellows" in the airport in San Salvador is a small poster of a crippled little girl on crutches. "Innocent Victim of FMLN Terrorism" (the Spanish acronym for the Farabundo Marti National Liberation Front). The second line is a question: "What About Her Human Rights?"

## II. El Salvador

In contrast to neighboring Nicaragua, in El Salvador the war is still raging. Judging by the tense expressions on the faces of the soldiers with their fingers on the triggers of their assault rifles, they expect ambushes on the grounds of the airport itself and on every kilometer of the highway connecting the airport with the capital. At the entrance to San Salvador a triple cordon of soldiers checks the papers of travelers and runs mine detectors over their vehicles.

In the capital of El Salvador there are military patrols every hundred meters. They not only stand at the intersections of the main streets and in front of government buildings and banks; rows of soldiers dressed in camouflage uniforms comb the city blocks from morning till night. When dusk falls they stop anyone who looks suspicious to them, and the whole procedure of checking identification papers takes place with the muzzle of a rifle pressing into the person's chest. God forbid that a driver should fail to notice a soldier's raised hand: He can be shot immediately. Three foreign journalists have died in precisely this way in El Salvador just since last November.

In Nicaragua the war with the contras was always on the periphery—in the mountains and the jungles. In El Salvador the war is being fought even in the middle of the capital. The urban rebel commandos seem to rise up out of the ground to commit acts of sabotage and shoot at military patrols and then disappear without a trace. One evening I was putting the finishing touches on some articles I had promised my editors. Suddenly my hotel on a busy street in the city was shaken by two explosions. Half of San Salvador was plunged into darkness. I had to finish my reports by candlelight, but the editors never did call me that night. I learned from the morning newspapers that the rebels had blown up a power transmission pole and two telephone substations.

The military resents the fact that it usually cannot catch the partisans. During 10 years of warfare, they have accumulated tremendous experience in the most diverse combat operations. The military authorities often vent their anger on journalists, especially foreigners, whom they accuse of distorting the image of El Salvador abroad.

The next day after my arrival, the telephone in my room rang early in the morning. "Some seños wish to speak with you," said the young woman in the lobby. The seños turned out to be, predictably, officials of the immigration service, which is under army control. They spent a long time flipping the pages of my passport with the visa I had received at the Salvadoran embassy in

Mexico and then informed me in a tired voice: "Your visa is invalid. It has not been approved by the General Staff of the Salvadoran Armed Forces, and you are subject to immediate deportation." I would have been expelled from the country even though the appointments in my notebook were not with rebels, but with high-level officials of the regime. I was helped by a colleague, ASSOCIATED PRESS bureau chief in El Salvador Douglas Main, who was also the president of the Foreign Press Association in El Salvador. Finally, after consulting their superiors, the military officials decided not to create an international incident. Recently the colonels have also tried to portray themselves as defenders of human rights and legality: After soldiers murdered six Salvadoran priests who taught at the Central American University in San Salvador and two women who just happened to be at the scene of the crime, the United States threatened to cut off all aid to the present government.

Who has the real power in the country: the civilians or the military? I asked Ricardo Valdivieso, republic deputy foreign minister, this question on the day I was supposed to have been deported. The vice-minister was ill and received me in his home, which was surrounded by reinforced concrete walls and guarded by a dozen armed men. Heated battles between the army and the rebels took place here last November. Bullets flew over the house and grenades exploded nearby.

"So, you are still in our country, but in the past you might have disappeared without a trace," he said with an ironic smile.

Valdivieso spoke at length about Salvadoran history. The elections in neighboring Nicaragua, in his opinion, marked the beginning of a new stage on the road to the establishment of democracy in Nicaragua, but it is still not the "working" democracy that already exists in El Salvador. The vice-minister feels it is one of the greatest triumphs of this democracy that the eight soldiers accused of killing the priests were put on trial (this is an unprecedented incident in the history of this country, where not a single hair on the head of an officer could have been touched in the past).

The FMLN, in his opinion, is out of touch with the processes occurring in the world and is playing some kind of anti-historical role. Many of the rebel comandantes, Valdivieso said, follow this line of reasoning from their vantage point of 35 or 40 years of age: We are important people and we have real power. We caused all of the inhabitants of the capital to tremble with fear on 11 November last year when we entered the city with weapons in hand. Therefore, we are successful people. Why should we plunge into politics, where we might lose the privileges and power we already have?

The same point of view was expressed by Armando Calderon Sol, the chairman of the ruling ARENA party and the mayor of San Salvador, who was kind enough to receive me in his office. I was searched thoroughly three

times by policemen at the entrance to the city hall, and when I reached the door of the mayor's office I was searched again by his personal bodyguards.

"The FMLN is trying to take over the government illegally," Calderon said. "Furthermore, it has chosen to engage in terrorism instead of declaring war on the authorities in the classical sense. The rebels blow up bridges and park cars filled with explosives in shopping centers. They do not care how many civilians these barbarous acts might kill."

"Nevertheless, the front has been operating in a small and densely populated country for so many years...."

"The rebels are supported by a minority. Five...no, make that three percent. But they do have international assistance and a great deal of money. The Castro regime delivers weapons to them through Nicaragua. Of course, after the elections in that country, the guerrillas lost their rear support, their training camps and bases in Nicaragua. But I doubt that this will have a serious effect on the fighting ability of the FMLN, which is still capable of striking perceptible blows at the government."

"According to the front, however, it is doing this because the government in El Salvador is anti-democratic. Even people abroad associate the ARENA party with the far-right 'death squads,' and especially with their founder, Major D'Aubuisson, the man guilty of the murder of Archbishop Salvador Romero."

"The 'death squads' no longer exist, and D'Aubuisson never had any connection with them. He is a democrat by vocation, and everything they say about him abroad is a pack of lies and disinformation. Our party represents the interests of patriotic Salvadorans. It was only after it took charge of the government that the necessary conditions were established for negotiations with the rebels."

"What are the prospects for this dialogue?"

"The present government is prepared for effective dialogue. All of the necessary conditions for this are in place, we have a strong political opposition, and there are channels for the most diverse strata to express their views. Under these conditions, the rebels have no excuse to try to take over the government by force of arms. They have to be disarmed and disbanded, like the contras in Nicaragua."

It is no coincidence that both of the officials I spoke with made special mention of the events in the neighboring country. The elections had a profound effect on the state of affairs in El Salvador. Salvadoran newspapers devoted several pages to the results of Violeta Chamorro's victory for the whole week following that memorable Sunday. When President Alfredo Cristiani of El Salvador returned from his trip to Beijing, he even said at a press conference that "this is the most convenient time for negotiations with the rebels." He had no other choice:

Once the Sandinista regime had arranged for free elections in its country, the Salvadoran Government, which calls itself democratic, had to go even further.

Secretary-General Ruben Zamora of the Popular Social Christian Movement, the leader of the Salvadoran political opposition and a man well-known in Central America, gave me a more objective, in my opinion, description of the balance of power in the country.

"The situation in El Salvador reached a stalemate long ago. The military cannot get rid of the rebels, and the guerrillas are not strong enough to overthrow the regime," he said. "Under these conditions, I see two main scenarios of future developments. The first is that no democratic changes will take place in the country, and the FMLN will have to take the offensive again—in 6 months or so. It has no other alternative, because, otherwise, the rebels will be crushed by the military. Only negotiations—the second option, which we support—can change the Salvadoran political scene. Effective dialogue presupposes the signing of joint documents, the implementation of decisions, the rescheduling of the next elections for the spring of the coming year, and the free participation of all forces, including the FMLN, in these elections. We feel that this is more possible now than before. There is a strong segment of private businessmen within the ARENA party who are in favor of negotiations because they realize that economic growth will not be possible until the war is over. The U.S. administration also seems to be interested in negotiations, which would fit in with its plans for a settlement in Central America. This was clearly reflected in the conversations between Shevardnadze and Baker. I also see a constructive stance on dialogue within the FMLN. At the end of last year the front issued a statement which differed radically in tone from the Cuban stance. In particular, this applies to a matter as fundamental as its assessment of perestroika in the Soviet Union and the processes in the East European countries."

Zamora feels that leftist forces in Latin America have reached a crossroads. They can give up their earlier dogmatic stance and they can either win total victory or suffer total defeat. The symbols of victory were Havana on 1 January 1959 and Managua on 19 July 1979. The symbol of defeat was Santiago in September 1973. Now the Sandinistas have lost the election, but they are still operating as a strong political party. They will have to compete, however, with other forces. This is the only way that leftist democratic parties will be able to solve the eternal problems of leftist forces—they can give up their ideological patterns and orthodox solutions and secure the renewal of the leadership. Cuba is experiencing difficulties today, Zamora said, because its leaders have taken a rigid ideologized stance. The changing world, however, is a fact to be faced. Today leftist forces on the continent do not have any need whatsoever for the Cuban leadership's discussions of the degree to which the events in Eastern Europe are a

departure from Marxism, a betrayal of the socialist cause, and a surrender to American imperialism.

What position have the rebels themselves taken under these conditions, now that the victory of the opposition in Nicaragua has isolated them to some extent in the region? A few days ago in Mexico, Ferman Cienfuegos, one of the five leaders of the front, announced that the main objective of the FMLN is the struggle for democratization in the country, and not the seizure of power by armed force. The FMLN, he said, is sincerely interested in dialogue with the government. The main obstacle is still the army, which is controlled by reactionary fascist elements. The FMLN has issued two basic proposals to the government: The front will stop all military actions in exchange for the cessation of U.S. military deliveries to the regime; the talks between the rebels and the government will begin under the mediation of UN Secretary-General J. Perez de Cuellar.

After a few days in El Salvador I felt that, despite the highly charged atmosphere, there were deep cracks in the glacier of military confrontation that had kept the country captive for more than 10 years. The majority of Salvadorans, drained by the endless violence, are skeptical, however, about the possibility of peace. They do not trust the government, which they call a "government of the rich," but they will not help the rebels either, because they feel that the rebels are responsible for the bombings and acts of sabotage that kill completely innocent people. In addition, their fear of the army, known to be one of the most repressive on the continent, is still quite strong.

After my meetings with the government officials who assured me that democracy reigns in El Salvador (I was given two videocassettes portraying the socioeconomic achievements of the country as parting gifts), I spent the last day before my departure at the Catholic Central American University in San Salvador, where the crime that shocked even the Salvadorans, who have grown accustomed to everything, took place 4 months ago....

Padre Rojelio Pedras guided me across the university campus, fumbled with a key as he unlocked a grating, and led me into the sleeping quarters where the six priests were sleeping the night of 15-16 November. "The soldiers arrived at dawn, at around six in the morning," the padre whispered, standing in the doorway of a spartan cell: an old trestle bed and a dilapidated chest of drawers, and nothing else. "This is where one of the priests was sleeping. He was the first to be dragged out of bed, and then they woke up the rest. There is the lawn where they were all shot. Two were later dragged by their feet back to the cells." He showed me the traces of a brown trail of blood on the stone floor. "When it was all over, they went into the kitchen, opened the refrigerator, and drank a bottle of Coca-Cola and ate a pineapple. Then, when they were leaving, they ran into a woman, the wife of one of our neighbors, and her daughter. They shot them too, so that there would be no witnesses."

"And after that they accused the rebels of committing the crime?"

"Stand where I am standing," Padre Rojelio told me. "What do you see over there?"

Through the foliage of the mango trees I could see the sandbag-fortified wall of a military barracks, and I saw two soldiers behind the wall watching us.

"It is a military unit," Rojelio Pedras said. "The murders were committed under its supervision. The entire act of intimidation was carefully planned. They were taking revenge because university instructors had expressed support for the patriots' struggle."

I remembered the poster of the crippled little girl in the airport. What about the rights of these eight victims, the youngest of whom was 16 and the oldest 60?

El Salvador is sick, and it seems to me that it will have to travel a long and tortuous road to democracy and peace.

### Nicaragua's Elections Perceived as Model for Latin America

90UF0030A Moscow *PRAVDA* 30 Mar 90 p 5

[Article by Pavel Bogomolov: "Nicaragua's Chance—Notes of an Observer"]

[Text] In the hotly contested chronicles of regional conflicts that leave no one indifferent, there are particular moments when our usual two-dimensional orientation to events (comparing the forces with which we are in sympathy to those we oppose) may suddenly be replaced by a situation that is multi-dimensional and ambiguous. Central America would seem to be experiencing precisely such a moment. The focus of our attention, of course, is the situation that obtains in Nicaragua and its environs.

"Surprising"..."Unexpected"..."Unprecedented"—These are among the most often expressed appellations recurring in world press reports of the internal situation in Nicaragua, following recent elections that mark a new stage in the development of the republic's relations with the external world.

"I want relations between the USSR and Nicaragua to be as they were—I want them to be excellent," says President-elect Violetta Chamorro of the Nicaraguan Opposition Alliance. "I hope the humanitarian aid that the USSR has been giving Nicaragua will continue because the republic is particularly in need of it now for the revival of the economy." Indeed, reading these declarations, one involuntarily draws a comparison of them with the previous, rather negative views uttered for so many years by Senora Chamorro with regard to Soviet-Nicaraguan relations in the pages of the opposition newspaper PRENSA.

An unusual quotation from our point of view? Perhaps. Just as, for that matter, it is unusual to encounter in the U.S. press kind words for the outgoing Nicaraguan

government headed by the national coordinator of the Sandanist National Liberation Front, President Daniel Ortega. It is particularly strange to hear words about "the adherence of Ortega to democratic principles" on the lips of Vice President Dan Quale, a source of the most acerbic sort of anti-Sandanist declarations only a short time ago.

The unexpectedly swift succession of events in Nicaragua today has resulted in the downfall of many a stereotype in our thinking. True, even earlier, some foreign observers correctly noted that the policy of national reconciliation was by no means simply an election trick of the Sandanistas for the sake of propaganda dividends. Persistent efforts to peacefully resolve the conflict, which continued to smoulder particularly in border areas, had been underway in Nicaragua for a number of years. It was at the initiative of the Sandanist National Liberation Front that the multi-party system and a mixed economy had been preserved in the country; that the anti-Samosa people's tribunals had been disbanded; that the autonomy of the Indian tribes had been declared; and that a truce had been worked out between the troops of the contras and the defenders of the republic. The fact, however, that the revolutionary government, which had come to power by force of arms in 1979, would willingly turn over the ship of state to other social forces which had won lawfully held elections—that it would honor its commitments to the people—was regarded with skepticism on the Potomic (and not only there, evidently) right up to the very last moment. As a matter of fact, such a thing had not happened before in the recent history of this continent. Does not the unique character of the situation that has arisen lie in this very fact?

The world press has already produced a mass of speculation regarding the reasons for the Sandanist defeat. Right now, however, as the political calendar takes us closer and closer to the scheduled transfer of power in Nicaragua on 25 April, it is not so important to think about the errors and omissions of the Sandanist National Liberation Front. (Errors, of course, there were, above all in the social sphere, which could not fail to have had an undesirable effect from the standpoint of the Sandanist cause on the outcome of the elections.) It is far more important to devote the time to thinking about the new political situation in and around the country. At the same time, it is vitally important to determine a way out of the protracted crisis in this explosive war-torn region.

First of all, the lesson of Nicaragua creates a new opportunity to revise the form, if not the content, of relations between Washington and countries south of the Rio Grande. The election results refute opinions yet to be overcome in Right-wing circles of the United States that military pressure on its "recalcitrant" neighbors provides the only sure means of achieving U.S. foreign policy objectives. In fact, an entire decade of support for the contras has yielded the White House practically no return of any kind. Meanwhile, a few months of relative restraint, cool tempers, and a modicum of common

sense have enabled the U.S. Government to come to a completely unexpected conclusion: The defeat of the Sandanistas by the armed forces of the opposition is impossible.

For the ultra-conservative Right Wing of the American "establishment" generally, this conclusion has come as an unpleasant surprise. The Sandanistas, so despised by reactionaries, have not been eliminated in a physical sense; they have not even been defeated on the battlefield. They have simply become the opposition. Meanwhile, a process has just begun in the country declared by Washington to be the ideal solution for Nicaragua: a transition to a broader parliamentary democracy based on the free interplay of political forces and pluralism of opinions and party platforms. In other words, the dire predictions to be found in the Republic Party documents "Santa Fe 1" and "Santa Fe 2," in which the suppression of the national liberation movement was postulated as the precondition of a transition in Latin America to "universal democratic values," were demolished before the administration's very eyes.

But what, it may be asked, has been the effect of all this on the rank-and-file American, who for years has been intimidated by the ultra-conservatives with the prospect of some kind of excessive demands made upon Washington by the Nicaraguans? Judging by certain publications, the United States is beginning to realize that there is no "treachery" of any kind in the entirely legitimate demands by Managua of the United States. For despite all the differences between the National Liberation Front and the Opposition Alliance with respect to the political orientation of the country, their claims of an economic nature on the United States practically coincide. In the very first days following her election victory the emissaries of V. Chamorro began to importune the White House, and not without result, with practically the same demands that D. Ortega had attempted unsuccessfully to realize—that is, to lift the Nicaraguan trade embargo and to reinstate the U.S. aid program.

Does not this mean, many people argue, that everything that has taken place in Nicaragua since the overthrow of the dictatorial regime of Samosa in 1979 in no sense represented a challenge to the national interests of the United States, but represented instead a challenge to poverty, backwardness, and the political and economic isolation that came with the role of being a "banana republic"? It follows therefore that the fundamental problem, the taproot, lies not in any kind of "Marxist intrigue," but rather in the monstrous inequality of relations between Washington and Latin America.

Such a conclusion might seem to be perfectly logical. At times it resounds like a prophetic revelation. But it is all the more important to interpret events correctly at this critical juncture of history because of an ingrained tendency abroad, in sharp contradiction with the realities of the situation, to recognize as a "Red plot" the natural aspirations of Third World countries to free

themselves from neocolonialism and achieve independent development. It is, incidentally, essential not only for the politicians in Washington to recognize the futility of juggling with the facts in this way. It would seem that the new Nicaraguan leadership is also obliged to understand the situation in depth. The Sandanistas have a right to expect of it in the future the same honest and just treatment of those who back the present government as was shown to the opposition during the recent elections.

To carry out a new policy without erasing all the gains that have been made in the republic since the downfall of the Samosa dictatorship—above all, the constitutional guarantees to the Nicaraguan people—and to preserve the spirit of the national liberation movement that responds to their vital interests: These, essentially, are the entirely justifiable demands made of the "command" under V. Chamorro by those attending mass meetings these days in Managua and in other cities of the country.

It is to be hoped in this connection that the time has actually arrived in Nicaragua, instead of casting stones, to collect them in a concerted effort to build new approaches to a national revival. What specific forms or length of time it may take is not for us to speculate upon, especially since the country is faced with a complex equation with many unknown variables even in the foreseeable future.

V. Chamorro, for example, promises not to cut back on the social gains made by the Nicaraguan peasants. At the same time, however, she has been openly critical of agrarian reform. She has given assurances that the leaders of the contras will not join the government leadership. Yet indirectly she has shown them favor.

In such a situation, it might be supposed, anything might happen. It is entirely possible, for example, according to the CHRISTIAN SCIENCE MONITOR, that the Chamorro government and the Sandanist army may become rival power centers and that relations between them will be strained.

Nevertheless, an important phase in the history of the Nicaraguan government has been carried out, and it has been carried out, moreover, peaceably and in a manner worthy of our times. The Sandanistas, who were being called along the Potomic "usurpers of power," gave the country something it had been waiting for throughout half a century of puppet government by Washington—that is, democratic rights and freedoms, including guaranteed universal suffrage. Thus it is no exaggeration to say, in the words of Daniel Ortega, that the outcome of the elections, for all their contradictory character, could be and should be termed "a victory for the revolution and democracy."

By not clouding the election campaign with new fratricidal conflicts, the Nicaraguans have set an example for the other countries in the region. Representatives of the patriotic forces in El Salvador, for example, have been

recently posing the question: Why is it that their country's government is not able to prepare for and carry out such honest, free, and irreproachable elections, offering a choice of genuine alternatives, as in Nicaragua? All the more so in view of the fact that the endless references of the Salvadorean authorities to the impossibility of having a serious dialogue with the Leftist rebels so long as the Sandanistas backing them are in power in Managua have at last exhausted themselves.

In a broad sense, the Nicaraguan example should prove to be instructive for Latin America and the international community as a whole. For it represents a chance to introduce gradually free elections even in countries torn by civil strife; to resolve regional conflicts through a process of compromise achieved ultimately by political means; to curtail and eventually cut off the flood of weapons directed at the "hot spots" of the planet. And, finally, for the Third World, it represents a chance to develop in peace with the hope of affirming human dignity along with social and political rights.

#### Views on Chile's Power Transition, Political Future

90UF0029A Moscow RABOCHAYA TRIBUNA  
in Russian 29 Mar 90 p 5

[Article by A. Bushuyev: "The Sunset of a Dictator, Who Does Not Intend to Leave"; first paragraph is source introduction]

[Text] Who would have dreamed of this even half a year ago? In Chile, a country hidden in the gloom of one of the bloodiest dictatorships of our time, the dawn of democracy has started to shine through. On 11 March the country's new president, Patricio Aylwin, entered La Moneda Palace. At one time this man took an active part in the overthrow of Allende's government. Today he heads the forces which oppose Pinochet.

Everything is far from unambiguous. Pinochet, for example, has retained his post as commander of the ground forces and does not intend to subordinate himself to the new minister of defense because the minister is, in his words, "a civilian."

This acquired the most ominous form in the words of Augusto Pinochet himself, when not long before the start of the election campaign he said: "If anyone attempts to take steps against my entourage, that will be the end of the legal government." The phrase sounded like the blow of a whip, and that blow was intended above all for the democratic leaders of Chile. The general gave up the post of head of state against his own wishes, and he does not hide that fact. Although deprived of the president's chair, Pinochet in no way intends to play any secondary roles in the political arena. The post of commander of the ground forces, which is constitutionally established as his for the next eight years, provides broad powers. He can be deprived of them only if he goes into retirement himself (some politicians do not exclude such a possibility) or if the new president, a professor of law, is able

to find a pretext for destroying the pyramid which the dictator erected in recent years in order to ascend to its top. No matter what happens, it is hardly likely that this will take place before the "security has been assured" of those who plunged the country into the drama of dictatorship. The Chilean generals are not enthralled by the possibility of events developing according to the Argentinian model. And the new president will have to come to grips with this.

Pinochet strictly observes the laws adopted during his rule: no one can accuse him of violating them. He knows this and in the future, one would assume, he does not intend to provide any grounds for accusations. However, since 5 April 1988 this has not been easy for him. By holding a referendum on that day he miscalculated. Pinochet thought that a plebiscite would legalize his dictatorship for another eight years (his advisers manged with difficulty to convince him not to propose for discussion a mandate of 18 years), but he made a mistake. The defeat was catastrophic. But this time the regime's information services, which were characterized by an enviable effectiveness, were not able to see the coming defeat. Or maybe they did not want to see it? Maybe someone was interested in hiding from the general the real state of affairs?

For now the final word rests with Aylwin. In his 71st year the head of the country, chosen for this post by the people, must remove carefully from his own path to a genuine presidency all existing obstacles. However, it is necessary to do this without alarming or even arousing the suspicions of those who today possess the real power.

The priority of the "military question," undoubtedly will be the key to a reduction of tension in Chile as well as to the possibility of further democratization of life in that country. Pinochet's defeat has undermined the army's influence, but it nonetheless possesses enormous power. Aylwin will have to make the armed forces subordinate to himself, but this can be done only if he convinces the military that they will not be subjected to persecution from the democratic regime. Is this a difficult task? Yes, it is difficult but not impossible, especially if one considers that the support which is now being extended to the president by the military (Pinochet constantly puts it at his own service), is more for effect than real in nature. The president was elected by the people despite the wishes of the military, and the latter will also be forced to come to grips with a person who has the Chileans' sympathies.

Nor must one forget about the serious opposition to Pinochet within the armed forces themselves. There was a purpose behind the general's actions in sending to the reserves (while giving various reasons for this) those of his colleagues who manifested even the slightest inclination to be "first." That is why the Chilean army today is a relatively anomalous phenomenon for Latin America: Pinochet is older than the people in his close entourage by 12-15 years. This situation was imposed by force on a majority of the generals, and, despite that, some of them

do not hide the fact (do not forget that we are talking about an organization with strict discipline and a code of honor from the last century) that the further presence of Pinochet at the top of the military hierarchy will limit their professional prospects significantly.

If he makes intelligent use of these disagreements, the president will be able to strengthen his own positions substantially. If this is not taken into account, it will be impossible to change the currently existing constitution under which Pinochet enjoys significant power and to convey his powers to the democratic forces. Along this route the president will have to overcome numerous legal traps laid at the direct instructions of Pinochet.

Today one can talk about the significant revival of political and especially of legal activity in the country. The job of leading the democratization process has fallen to the party of the Christian Democrats. The situation is not without paradox: in 1973 Aylwin, then a leader of the party, extended substantial support to Pinochet during the coup d'etat. Today the people have handed him the reins of government. The task which faces the president is not one which could be called simple: on the one hand, he must make the army subordinate to himself, on the other, it is essential to monitor constantly the political forces which most actively oppose the military. The first thing which he must achieve is the normalization of public life. It will be important to overcome the process by which his party is dividing into rightists and extreme leftists. On a number of issues the latter are coming closer to the communists.

If Patricio Aylwin is able to stay strong and at the same time flexible enough to achieve these goals, he will justify the hopes entrusted to him. Right now he sails on the wings of a victory given to him by the Chilean people. He sails above the still smoking ruins of one of the most cruel dictatorships of our time. Whether the seeds of freedom and democracy sown in the ashes yield strong shoots depends on him.

### **Soviet Major Criticizes U.S. Third-World Military Might in Colombia**

90UF0001A Moscow KRASNAYA ZVEZDA in Russian  
13 Mar 90 First Edition p 3

[Article by Major M. Pogorelyy: "Not All Means Are Good"]

[Text] At the beginning of January, when there were still echoes from the battles Washington had started in Panama on the pretext of a fight against the drug mafia, the White House tried to make preparations for another operation of this kind. Once again, the Pentagon was expected to take charge of it. It was precisely in the depths of the USSR Defense Department that the plans were conceived for the organization of a naval blockade of the Colombian coastline.

It is true, of course, that today this country, along with Bolivia, Peru, and several other Latin American states, is

the scene of fierce battles with the producers and sellers of drugs, and that the United States—alas!—is one of the biggest consumers of the terrible drugs. There is no doubt at all that drug addiction and the drug mafia must be combated, but the question is how! Even noble and humane ends cannot justify some means.

When people in Bogota learned that the Pentagon had decided to put the aircraft carrier "John F. Kennedy" and the guided missile cruiser "Virginia" to work on the interception and inspection of ships and the monitoring of aircraft leaving Colombia, the government of that country issued a vehement protest. In the opinion of the Colombian Government, actions of this kind would be a violation of the country's sovereignty because the United States has never been authorized to conduct operations in Colombian territorial waters or the international waters along its coastline.

After the invasion of Panama had been criticized by many Latin American countries, the United States postponed its naval operation, deciding against the open dismissal of the wishes of the Colombian Government. Furthermore, the Cartagena declaration, signed by the presidents of the United States, Bolivia, and Colombia on 15 February, says that the fight against the illegal drug trade is primarily the job of law enforcement agencies. It also acknowledges the right of each side to call out its own armed forces to combat drug smuggling, but this is a matter of appropriate actions "on its own territory and within the boundaries of its national jurisdiction."

In the same Cartagena declaration the sides agreed that various types of sea and air transport used in drug smuggling in each state should be monitored by its own government agencies and that the appropriate programs would be set up within the territory of each state. President G. Bush of the United States also signed this document.

But here is the latest news reported by the CBS television network: "After the president of Colombia rejected the American plans for the deployment of a carrier task force off the Colombian coast, the Pentagon quietly deployed three ships there to take part in counternarcotic operations." Defense Secretary R. Cheney explained that these operations would involve four or five naval ships, AWACS planes, radar balloons, reconnaissance satellites, and "special army subunits trained to combat the drug trade in third countries." He also explained that these plans had been drawn up on direct orders from the White House.

It appears that Washington, without waiting for an official invitation to cooperate from "third countries," has reserved the right to decide what is good and what is bad for the people of those countries. The means chosen for this noble end are not the most scrupulous ones....

**Arms Sale Under Pinochet Exposed in Chilean "Iran Gate"**

90UF0001B Moscow *PRAVDA* in Russian 15 Mar 90  
Second Edition p 5

[Article by S. Svistunov (Brasilia): "Chilean 'Irangate'"]

[Text] It turns out that Washington was not the only one trying to sell arms to Iran illegally. The Chilean military junta had been doing the same thing, with the knowledge and active participation of Pinochet.

French businessman Bernard Sotoriazo, who had served as the middleman in the secret negotiations, revealed the news in Madrid. The details of this scandalous affair are being reported in the Spanish and Chilean press.

Iran broke off diplomatic relations with Chile almost immediately following the Islamic revolution and the assumption of power by the Ayatollah Khomeini. The protracted and bloody war with Iraq, however, necessitated more and more purchases of new weapons and materiel. Only a few Western firms dared to make these deliveries to Iran openly. At that same time the military

industry in Chile, which had been directed into militaristic channels, was actively seeking sales markets, and it is a well-known fact that dictators have few scruples.

This would have been an incredibly lucrative business for the Pinochet regime: close to 7 billion dollars in all, and sizable commissions for the "political decisionmakers." The state Army Weapons Factory (FAME) and Ferrimar, a private armament concern, became involved in the affair as the main contractors. Top-level officials from the Corporation for the Industrial Development of Chile were included in the negotiations.

The whole set of operations broke down because of an unfortunate incident. The Iranians wanted 500 cluster pellet bombs to start with in 1985. During secret tests, however, one of the bombs exploded prematurely, destroying an airplane and cooling the enthusiasm of the Iranians, who subsequently chose to buy "merchandise" with a better reputation from other countries.

Sotoriazo says that he has documents providing irrefutable evidence of the involvement of people at the top of the Chilean military regime in this South American "Irangate."

### Background, Positions on Kurile Islands Issue Described

90UF0066A Moscow MOSCOW NEWS in English  
No 14, 15-22 Apr 90 p 16

[Article by Yuri Bandura: "The Cold War Knot"]

[Text] A Background for a Future Soviet-Japanese Peace Treaty Private individuals are brimming over with initiatives which are invading the realm of foreign policy. People's diplomacy has been especially active as regards Soviet-Japanese differences over the possession of the southern part of the Kurile Islands. There are many views on the issue. On the extreme left are two suggestions: one made by Yuri Afanasyev, people's deputy of the USSR, that the islands Japan claims be "restored" to Japan, and the idea formulated by world chess champion Gari Kasparov that the islands should be sold to Japan. On the extreme right is the weekly "LITERATURNAYA ROSSIYA" dismissing these "initiatives" as "political speculation", and urging that all discussions on the subject be stopped because the islands have always been ours and all talks with Japan are out of the question. There is also the centrist position held by the people's deputy of the USSR, V. Guly: a joint administration should be formed and the islands be declared a free economic zone. Whence this diversity of opinion? I think the answer lies in history which, alas, cannot be rewritten.

### Awkward Legacy

"What brought the Japanese to the Kurile Islands in the first place?" asks LITERATURNAYA ROSSIYA special correspondent Vyacheslav Sukhnev and he says: "Under the 1855 Treaty Russian agreed that the border be restored between the islands of Urup and Iturup. This territorial concession was intended to reduce the mounting tension between the two countries. Japan treacherously attacked Russia at the start of this century and captured the southern part of Sakhalin. It moved on to take possession of the Kuriles, "taking advantage of Russian weakness after World War I". So the Soviet Army, in the words of A. F. Shulaytvey (Chairman of the Executive Committee of the Malokurilsk Village Soviet), had to "dislodge the Japs from the islands". On the strength of this information the journalist asks: "What kind of 'historical justice' is Japanese propaganda trumpeting?" What, truly?

Why "the Soviet Army had to dislodge the Japs from the island" in August 1945 is a special question. However, the reason for "dislodging" cited in LITERATURNAYA ROSSIYA did not and could not exist. Because Japan never "took possession of the Kuriles" and Japanese were on the islands decades before they had a chance of "taking advantage of Russian weakness after World War I".

The Treaty signed in 1855 by Ye. Putyatin specified: "The entire island of Iturup belongs to Japan and the entire island of Urup and the other Kurile Islands north of it are Russia's possession." Thus it is clear that the

treaty placed all the Kurile Islands north of Iturup under Russia's sovereignty and one of the Kurile Islands—Iturup—under the sovereignty of Japan. The issue of the sovereignty of the islands of Habomai, Shikotan and Kunashir was not resolved, nor was the question of Sakhalin. In 1875, under the Treaty signed in Petersburg, Russia ceded to Japan 18 Kurile Islands that had belonged to it for two decades in exchange of Japan renouncing its claim for any part of Sakhalin. Under this Treaty Petersburg recognized that all the Kuriles belonged to Japan.

That's what brought the Japanese to the Kuriles after they had upheld their positions peacefully and in full compliance with international law. Historians and journalists can shoot critical arrows at the tsarist government which had proved so improvident, and negligent of Russia's interests to boot. But it's a fact: one cannot say that the islands were acquired illegally. More so because Petersburg recognized an exchange as an advantage. At any rate Russia's Ministry for External Affairs in its 1875 progress report to Alexander II said: "...The many years of Russian diplomacy have been crowned with success. Sakhalin has ceased to be of our foreign policy objectives. It is now one of the rich regions of the Russian state."

### System's Collapse

Some 30 years later, however, differences between both countries over Korea and Manchuria culminated in Japan attacking Russia in 1904. As a result of the Russo-Japanese war, Russia had to hand over to Japan the southern part of Sakhalin. That ended the 1875 Treaty: in seizing by force from Russia what it had given in exchange for the Kuriles, Japan rendered the very exchange invalid. Thus Russia lost the 18 Kurile Islands (under the 1875 Treaty) and in 1905 it lost part of Sakhalin.

It should be recalled at this point that the head of Japan's delegates at the talks in Portsmouth, Jutaro Komura, said on August 29, 1905: "The war doesn't just suspend, it annuls all treaties that preceded it. The problem could be settled in two ways: either to incorporate in the Peace Treaty an article that restores the treaties in force before the war, or to sign new treaties." Neither way was used. Thus Japan deprived itself of all legal basis to the Kuriles while it continued to hold them. Tokyo seemed to have been aware of the dubious situation of part of its territories. At any rate, Molotov's refusal in November 1940 to enter talks with Japan on a non-aggression pact, because "the Japanese side believes it irrelevant to discuss the question of southern Sakhalin and the Kurile Islands" did not cause any amazement or indignation in Tokyo.

### Roosevelt's View

It's hard to say to what extent US President Roosevelt was familiar with the problems that had been piling up for decades in the Western Pacific. (However, the seven

years between 1913 and 1920 that he was Assistant Secretary of the Navy lead one to believe that he wasn't unfamiliar with the subject). Anyway, it was he, one of the authors of the Atlantic Charter, and hence an opponent of territorial conquests, who first suggested that the Kuriles and southern Sakhalin be handed over after the war to the Soviet Union. As early as October 5, 1943 he briefed the US delegates going to Moscow for a conference of the foreign ministers of the USSR, the US and Britain, and said that the Kuriles should indeed be handed over to the Soviet Union. Hardly surprising in the light of this fact is the 1945 Yalta decision on returning southern Sakhalin and the Kurile Islands to the USSR.

Truman who succeeded Roosevelt initially intended to carry out the pledges made by his predecessor. On August 27, 1945 he informed Stalin that he knew of Roosevelt's consent to support the Soviet claim to these islands, and said he was ready to back Stalin's intention to gain permanent possession of all the Kurile Islands. US Secretary of State Byrnes later repeatedly and publicly voiced readiness to honour the Yalta agreements.

By the end of 1945, however, Moscow and Washington considerably differed on the problem: having Roosevelt's consent on the restoration of the southern Sakhalin and the Kurile Islands to the Soviet Union, Stalin considered them a Soviet territory once they were occupied by Soviet troops. Truman regarded, at least the Kuriles, as Japan's territory the issue of which had to be settled amicably. Judging by the documents available today, Stalin went along with this approach. But he didn't wait for the signing of a peace agreement with Japan where all territorial changes would be recognized under international law. The Decree of the Presidium of the USSR Supreme Soviet of February 2, 1946 unilaterally incorporated southern Sakhalin and the Kurile Islands into the USSR.

#### San Francisco Finale

The situation could perhaps have been remedied by carrying out Roosevelt's and Churchill's pledge at the time of signing the Peace Treaty with Japan. More so because John Foster Dulles, who had been drafting the Treaty on Truman's instructions, stated at the press conference on March 28, 1951—just six months before the signing—that he had frankly told the Japanese that the United States would not allow a course undermining the Yalta agreements in order that the Kuriles be restored to Japan. But...

The cold war had long been sweeping the globe before the opening on September 4, 1951 of the San Francisco Peace Conference where the Peace Treaty with Japan had to be signed. The communist revolution in China (1949) and the breakout of the war in Korea (1950), both against the background of global Soviet-American confrontation, strongly motivated Washington to strengthen its strategic position in the Far East and to turn its former enemy Japan into its ally in "containing the

communist threat". Under the circumstances Washington had no desire to help the Soviet Union in getting the Kuriles and southern Sakhalin. Tokyo certainly had no desire to recognize the USSR's right to these territories. On the other hand, the US couldn't dissociate itself from honouring the Yalta agreements, fearing to lose face. Dulles found a way out of the situation with an artificial legal deadlock.

Tokyo consented in the San Francisco Peace Treaty to a provision renouncing all its rights and legal claims to the Kurile Islands and the southern part of Sakhalin. But the provision did not state which side benefited from Japan's renunciation, nor did it specify precisely which islands were included in the "Kurile Islands".

What's the meaning of this? It is perfectly clear to us and our readers that Japan's renunciation of its possession of the Kuriles and southern Sakhalin could only benefit the USSR. The Soviet Union, however, was not party to the San Francisco Treaty. To its signatories the Soviet Union is, legally speaking, a "third party". But in accordance with international and legal norms, treaties of the San Francisco type generate rights for "third states" only if parties to the specific agreement intended to grant such rights to the "third state". Those who drafted the San Francisco Treaty had no such intentions. Article 25 of the Treaty indeed said that the Treaty granted no rights, legal basis, or advantage to states which didn't sign the Treaty (i.e., the Soviet Union and China). So it follows that the Kurile Islands, to which Tokyo lays claims, can't be either "handed over" or "sold": allocations of this kind would require a formal recognition by Japan of the USSR's rights to the remaining islands in the Kurile chain, but Japan can't recognize this because it is also banned by the self-same San Francisco Treaty (Article 26). As far as I know, Tokyo would hardly agree to the setting up of a "free economic zone" because this would amount to Japan's recognition of the USSR's rights to the islands.

So the deadlock is: from the legal point of view, Japan can insist on deciding the issue of possession of the islands, because any transfer of the territory of one state (the Kuriles and southern Sakhalin remained under the sovereignty of Japan till August 1945) to the other (in this case the Soviet Union) should be formalized in a treaty (no such treaty exists between the USSR and Japan). On the other hand, Japan formally has no right to sign treaties on territorial settlements with whatever country. Under the circumstances, all arguments on whether Kunashir and Iturup are part of the Kurile Islands and whose possession was renounced by Tokyo under the San Francisco Treaty, or on whether these islands are the southern Kuriles as distinct from the "Kurile Islands" and remain under Japan's sovereignty are academic. The "San Francisco trap" prevents all practical benefits from mutual understanding between the USSR and Japan even if it is reached. At least while relevant articles of the San Francisco Treaty remain in force.

Let me add that this situation is not the result of neglect or some random occurrence. The political planning headquarters of the US Department of State concluded as far back as September 22, 1947 that precisely this situation would be in the interests of the United States, because it would spur the start in Japan of a movement for the return of the lost territories. This would also cause anger among the Japanese towards the USSR.

Are the present US leaders aware of this American contribution when they say they favour the solution of Soviet-Japanese territorial problems?

I have no doubt that they are aware of it in Tokyo. Perhaps what people are not aware of is how to untie the knot that took decades to form.

### Problems, Prospects for Hong Kong's Decolonization Examined

90UF0002A Moscow *IZVESTIYA* in Russian  
22 Mar 90 Morning Edition p 7

[Article by *IZVESTIYA* correspondent Yu. Savenkov: "Hong Kong: What Will the Barometer Show? Session of Chinese Parliament Begins to Examine the Future of the Last British Colony in Asia"]

[Text] "The storm seems to have died down, but we cannot say that the sky is yet clear...", "We must disperse the clouds...", "Let us draw a distinction between a little rain and a typhoon...", "Even a little rain can turn into a typhoon if it is ignored...", "But we are at the end of the winter. Spring is just ahead...", "And yet the cold winds still blow..."

This exchange of meteorological sentences without any pretense at scientific accuracy took place between Hong Kong Governor David Wilson, who recently visited Peking, and his Chinese partners. In his 3 years as governor, Wilson had been to China many times. Yet we cannot call this trip routine, if only because it had been put off many times and finally came to pass, despite the noticeable exacerbation in Chinese-British relations in recent times.

This was the first visit at this level since the tragic June events in Peking and, evidently, the last one before the political contours of the new Hong Kong are to be outlined. The recently convened session of the Chinese National People's Congress (the highest organ of the CPR) must discuss, adopt and publicize the basic law for the specific administrative region of Hong Kong within the make-up of China.

In this connection, the events which recently took place in Peking cannot be called singular. As a result of the heated debates which lasted for 4 years and 8 months, a document was born (it is called a mini-constitution), outlining the political contours of the new Hong Kong. It is no wonder that all the high-level leaders of China came to the People's Meeting House to greet the members of the committee on developing the draft of this law.

Among them was the 85-year old Deng Xiaoping who has seldom appeared in public since officially announcing the end of his political career in November of last year. He called the document a "creative masterpiece". Evidently, the architect of the concept of "one country—two systems" was pleased. Especially since, if the experience of Hong Kong proves successful, as it is believed in China, it may be applied also in the process of reunifying Taiwan and China. The Chinese press gave a no less enthusiastic evaluation of the event: An unprecedented legislative statute, which becomes the basis for the future development of Hong Kong.

The transitional period to decolonization of Hong Kong began in 1984, when China and Great Britain agreed that, effective 1 July 1997, Chinese sovereignty over Hong Kong—the last Asian colony of the former British empire—would be restored. Hong Kong will receive special status and a high degree of autonomy, and will retain its existing socio-economic system for the next 50 years. We will note that Deng Xiaoping once hinted: This term is not a dogma, it may be doubled. In short, the legal system of Hong Kong, and the form of life itself, will remain untouched for a long time.

Under the name of "Hong Kong-China", the former colony will remain as an independent unit in international organizations (Asian Development Bank, International Currency Fund, General Agreement on Tariffs and Trade). In short, after 1997, Hong Kong will be China's window to the outside world, remaining one of the main financial centers of the world, a major point of re-export trade, and one of the leading ports. That is, it will play the role familiar to it.

Close ties between Hong Kong and the CPR are an objective reality. Hong Kong simply cannot exist without cheap raw material, food products, and drinking water from the continent. On the other hand, currency influx from Hong Kong already now plays an important role in the Chinese economy. Of the overall sum of foreign capital investments in China, 80 percent belong to Hong Kong businessmen.

Some experts, evaluating the current situation, are convinced that China has become a less attractive place for potential investors because of Hong Kong. According to the computations of specialists, a renewed interest in China among local entrepreneurs is expected in the middle of the year, provided there is an effective political stabilization in the country and that China is able to absorb these investments. After all, the main attraction of China—low lease payments and wages—will remain. This makes export goods from Hong Kong competitive.

Stanford University Professor William Miller makes some curious statements on the subject as he predicts the economic future of Hong Kong after 1997. In his opinion, the interaction with China is the only chance for success under conditions of the stiff competition of the 21st Century. The partnership of Hong Kong with

South China, especially with the regions of the Tsung-shan River delta, will allow this region to become one of the most dynamic in the world. The unification of the land and human resources of South China with the unique enterprise of Hong Kong, with its rich financial resources, will make it possible to effectively compete with other trade powers. Significant importance here belongs also to the gradual transfer from Hong Kong to China of enterprises associated with the labor consumptive production cycle, and the creation of high technology industry on the continent.

An effective political structure, many believe, is the key to economic success. What will it be in Hong Kong? Seven years remain to the moment of restoration of sovereignty. Moreover, the first months of this year are considered by some to be of key importance. In Hong Kong they are primarily concerned about the problem of human rights. It has begun to prevail over other questions in recent times, especially since, during discussion in the UN Committee on Human Rights in the Fall of last year, the accusation was levelled against England that its approach to Hong Kong is reminiscent of the attitude of a stepmother toward her stepchild. "You cannot return Hong Kong for yourselves like some furnished apartment. There are people living there and they, unfortunately, do not enjoy the constitutional protection of their rights".

The situation became even more acute in June of last year after the well-known events in Peking. A highly tense situation arose between the Peking-Hong Kong-London triad. Peking accused England of using the June events to stir the passions against China. Hong Kong was also criticized for intervention in the internal affairs of China and for using its territory as a base for subversive activity. London demanded that Peking do something substantial to restore international trust in Hong Kong after the June events, and temporarily broke off high level diplomatic contacts, as well as cooperation within the framework of the joint British-Chinese commission engaging in consultations on all problems of the transitional period and the future organization of Hong Kong.

Hong Kong in turn insisted that London play a more active part in the fate of the citizens of its former colony. One of the main demands was to give the residents of Hong Kong the opportunity to emigrate, guaranteeing them the right to settle in England. As a result of the efforts of all the parties, the contacts are gradually being restored. Here are some of them: The secret visit to China by Percy Craddok, an advisor to M. Thatcher on questions of foreign policy, and the trip to Hong Kong by Great Britain's Minister of Foreign Affairs Douglas Hurd. Representatives of the Hong Kong community are meeting in Peking with the Premier of the CPR State Council, while others are going to London. In the press this has been called the "quiet diplomacy".

Many nuances have appeared in the proposals of Peking and Hong Kong in connection with the future political structure. Hong Kong focuses attention on the need for

independence of the judiciary from the legislative and executive branches, the right of local authorities to declare a state of emergency, and the guarantee of retention of existing rights and freedoms. Particular concern is evoked by the specific role of the People's Liberation Army after 1997. Specifically, the Hong Kong newspaper SOUTH CHINA MORNING POST wrote: "We are not casting doubt on the right to station troops. After all, China will be responsible for the defense of Hong Kong, even though Hong Kong residents would prefer not to have any troops at all... Evidently, the matter centers around the size of the garrison, and it would be best if China would magnanimously announce a small, purely symbolic number".

China's high-level legislators, advisors and scientists, for their part, proposed to the committee working on the draft of the future mini-constitution for Hong Kong that it include a special article on prohibiting irresponsible intervention of foreign powers into the internal affairs of China and using Hong Kong as a base against the central government.

Among the many problems which must be solved in the transitional period, the following have become the most acute: Emigration and the "brain drain", and the rate and character of development of political reform. The decision of the M. Thatcher government to grant the status of full British citizenship to 50,000 so-called "key" people from Hong Kong—specialists, government employees, and workers in education and public health, along with members of their families (altogether about 225,000), which will give them the right to settle in England, has evoked sharp protest from the Chinese government, which viewed this step as a gross violation of the previously accepted responsibilities. In its opinion, this may cause differences among the residents of Hong Kong, and consequently upset the stability of the territory. In England itself the reaction was mixed. Many conservatives believe the measure to be excessive, since it violates the principles of the country's emigration policy. The Labor Party members call it discriminatory in regard to the less wealthy people. The British government, defending the draft (it has yet to be ratified by parliament), stresses that it sooner hinders the "brain drain", since it provides a psychological support: Having this right, a person will feel more confident about his future and will sooner tend to stay.

And finally, the different approaches of Peking and Hong Kong to the rates of democratization and the character of political reform have become clearly delineated. China is speaking out in favor of the evolutionary path and warning against haste and ill-planned decisions. The idea of "acceleration" arose in Hong Kong after the June events in Peking. The conflict is focused on direct elections and the question of mandate. China is not speaking out against direct elections, but believes that they should be achieved in a step-by-step process.

Thus, the outline of the future political structure, it seems, is becoming clear. Yet ahead (the transitional

period will last 7 1/2 years) there are new debates, differences of opinion, and search for compromise. Particularly since different approaches to the mini-constitution are apparent. For example, Li Hu, deputy chairman of the Administration on Hong Kong and Macao Affairs under the CPR State Council, has rejected the possibility of further corrections to the mini-constitution prior to 1997. At the same time, in Hong Kong many in government circles are convinced that changes are possible. For example, during the discussion at the current session of the Chinese National People's Congress. At the same time, many believe that the outlined political reforms in the transitional period must convince China that more democratic choices in the interests of stability do not present a threat to Peking.

...It seems the storm has passed, but the sky is covered with clouds. What will the barometer show?

### **Chiang Kai Shek's Visit to USSR in 1923 Described**

*90UF0002B Moscow ARGUMENTY I FAKTY in Russian No 12, 24-30 Mar 90 p 4*

[Article by B. Borodin, candidate in historical sciences: "Chiang Kai Shek's in the USSR; Koumintang Delegation Visits Our Country in 1923"]

[Text] **Many of us have formed a definite image of Chiang Kai Shek's in our minds. Yet, as it turns out, there was a time when Chiang Kai Shek's not only had the reputation of being a leftist, but even played the role of an active proponent of world revolution. The documents recently discovered by Candidate in Historical Sciences B. Borodin testify to this fact.**

In the early 20's, people's power was established in the south of China, led by Sun Yat-sen. The leader of the Chinese revolutionary democracy, elated with the October Revolution and having a deep respect for V. I. Lenin, sent his supporter, 36-year old General Chiang Kai Shek's, as the head of a Koumintang delegation to the USSR to study the experience of the Bolshevik party, the Soviets and the Red Army. The visit took place in September-November of 1923.

V. I. Lenin was very ill at that time. Sun Yat-sen's emissaries were greeted by L. Trotsky, M. Kalinin, Ya. Ruzutak, G. Chicherin, and A. Lunacharskiy. Aside from Moscow and the Moscow region, the guests visited Petrograd and Kronshtadt. They visited factories and plants, military academies and schools, military units, combat ships and airports.

### **AT THE RED ARMY**

A report remains of the visit on 16 September by Chiang Kai Shek's and his fellow delegates to the 144th Infantry Regiment of the Moscow Military District. The delegation toured the barracks, instructional facilities, and reading rooms, and had lunch in the Red Army mess hall.

Then a meeting was organized, at which Chiang Kai Shek's presented a speech. The Chinese guest called upon the soldiers and commanders of the Red Army, who had put an end to capitalism in their own country, to prepare for the battle against world imperialism.

"We," announced Chiang Kai Shek's, "are also ready to die in the struggle against imperialism and capitalism. We have come here to learn and to join with you". He promised the Red Army members that after the victory over the military forces of Northern China, "we will extend a hand of friendship and alliance, so as to fight together".

Chiang Kai Shek's speech was repeatedly interrupted by applause, and the regimental orchestra several times played the "Internationale" during the speech, and all present stood and sang it aloud. The concluding words of the speaker were drowned out by a thunderous Red Army "hurrah". During the trip from the army unit to the residence which had been prepared for the guests, Chiang Kai Shek's expressed his delight over the spirit of the Red Army.

### **MEETING OF THE COMINTERN EXECUTIVE COMMITTEE PRESIDIUM**

On 25 November the Comintern Executive Committee Presidium, at a meeting chaired by G. Zinov'yev, heard Chiang Kai Shek's report on the activity of the Koumintang. In the report, the Koumintang was represented as "one of the world revolutionary factors", and its revolutionary work—as "a part of the world revolution".

Chiang Kai Shek's made rather optimistic predictions for the Chinese revolution: "We hope that after 3-5 years of work, the first stage of the Chinese revolution—the national revolution, will be successfully completed, and as soon as this is achieved we will go on to the second stage—the propaganda of communist slogans. Then it will be easier for the Chinese people to bring communism to life".

As concerns the world revolution, Chiang Kai Shek's said that the Koumintang members consider its "fundamental basis" to be Soviet Russia, which must help to create a revolution in Germany and China. In the name of the Koumintang he proposed that after the victory of the revolutions in these countries, a "union of three great powers" should be created, on the basis of which "we will easily be able to create a world revolution and destroy the capitalist system in the world".

According to the results of the discussion of Chiang Kai Shek's report, the Comintern Executive Committee Presidium adopted the resolution "On the National-Liberation Movement in China and the Koumintang Party", in which it pointed out the "need for comprehensive support of the Koumintang".

### A CONVERSATION WITH TROTSKY

During the meeting with Sun Yat-sen's representative on 27 November, L. Trotsky stressed that not only military, but also political work is important for the Koumintang. "A good newspaper is better than a poor division", he said.

Trotsky made it perfectly clear to Chiang Kai Shek's that, in their struggle, the Chinese revolutionaries must count primarily on their own efforts. "In the absence of a strong revolutionary party in China and its goal-oriented political and propaganda work," announced the chairman of the USSR Revolutionary Military Council, "even if we give a lot of money and provide military support, you will still not be able to do anything".

Chiang Kai Shek's thanked him for his advice and assured him that the Koumintang "will try to bring to life the opinion of its Russian comrades".

### THE BETRAYAL

From a conversation with Liao Chun-kai, one of the closest comrades-in- arms of Sun Yat-sen and a Koumintang political advisor, M. Borodin got the impression that Chiang Kai Shek's "returned very favorably disposed towards us, brimming with enthusiasm". In the words of one of the Soviet military specialists working in China, "Chiang Kai Shek's lengthy stay in Moscow, his acquaintance with the order in the Red Army and its leaders had a favorable effect on him".

Chiang Kai Shek's worked together with the Chinese communists and used the services of Soviet military advisors, among which a leading place belonged to V. Blyukher. Yet gradually his attitude toward the CCP and the USSR changed.

It is true, Chiang Kai Shek's still continued to play the revolutionary- internationalist for some time. On 7 November 1926 he sent a telegram of congratulations to J. Stalin on the occasion of the 9th anniversary of October, speaking out in favor of preserving the Chinese-Soviet alliance in the interests of world revolution.

On 12 April 1927, Chiang Kai Shek's staged a counter-revolutionary coup. Stalin was very upset that shortly before the overthrow he had sent Chiang Kai Shek's his picture, signed with a friendly autograph.

### Commentary on Hong Kong's Role as China's "Window" to World

90UF0042A Moscow *PRAVDA* in Russian 3 Apr 90  
Second Edition p 3

[Article by Vsevolod Ovchinnikov: "A 'Mini-Constitution' for Hong Kong"]

[Text] The Chinese National People's Congress is currently discussing "The Basic Law of the Hong Kong Special Administrative Region of the PRC." The ratification of this kind of "mini-constitution" for a territory

which was a British Crown Colony for a century and a half will be one of the main events of the current session of the Chinese parliament.

England took the island of Xianggang (as Hong Kong is more properly called) away from China in the Opium Wars of 1842. This was the beginning of a dark period in China's history—the period of the semicolonial enslavement of the country by imperialist predators. Eighteen years later the English seized part of the Jiu Long (Kowloon) Peninsula. In 1898, under pressure from London, Beijing leased the so-called "New Territories"—the remaining portion of the Jiu Long Peninsula with the adjacent islands—to the British colonizers for 99 years. This possession with an area of 1,066 square kilometers turned out to be the British Empire's last Asian colony.

The persistent haggling between Beijing and London over the terms of the decolonization of Hong Kong went on for several years. In 1984 the sides agreed that China's sovereignty over this territory would be restored on 1 July 1997. Hong Kong would acquire the status of a special administrative region of the PRC, where the existing socioeconomic system would not be changed for the next 50 years—i.e., in simple terms, it would remain a "capitalist preserve." People in Beijing hope that the formula chosen for Hong Kong, "one state—two systems," will later make the reunification of Taiwan with the motherland on similar terms possible.

The Taiwan factor is an important reason, but not the main one, for the tolerance for the capitalist realities of Hong Kong. As they say in Beijing, it would not be in the interest of socialism to "kill the goose that lays the golden eggs." For all of the years of the PRC's existence, Hong Kong has served as its main source of foreign currency and as a bridge connecting the PRC economy with the world market. China supplies the population of Hong Kong with all of the necessities of life, from drinking water to vegetables. Many foods and household items are re-exported from Hong Kong. And if the Chinese consumer goods, unlike the Soviet ones, are able to compete on the world market, this is largely due to foreign orders from Hong Kong, which force the producers to meet international standards.

The policy of reform and openness has enhanced Hong Kong's role as China's window to the outside world. Trade between the colony and the republic has increased sixfold since 1979, exceeding 22 billion American dollars. Hong Kong has become the PRC's main trade partner. It accounts for 80 percent of the direct foreign capital investments in the Chinese economy and for 16,000 of the 20,000 joint ventures in the PRC.

Because of low rents and cheap labor, it is convenient for Hong Kong firms to open branches in the PRC, and especially convenient to move labor-intensive production units there. For China, on the other hand, Hong Kong is an irreplaceable school of business, a connecting link with the business communities of Southeast Asia

and, in recent years, also a convenient screen for trade with Taiwan (the volume is approaching 4 billion dollars a year).

The "mini-constitution" for Hong Kong, which has been submitted to the Chinese parliament for discussion, is the result of years of debates. A commission made up of representatives of both sides worked on the draft of the Basic Law for 4 years and 8 months. The dramatic events in Tiananmen Square last spring aroused concern in Hong Kong and complicated the work on the document. Arguments broke out: Should a state of emergency be the prerogative of the central government or should the consent of local authorities be required? The dates of direct elections to the Legislative Council were the subject of other heated debates.

Therefore, after years of negotiations between Beijing and London, more than 7 years of transition and a continued search for mutually acceptable decisions within the framework of the Basic Law still lie ahead. When this pattern of decolonization is assessed from the standpoint of our current concerns and problems, the combination of reasonable flexibility and careful consideration both sides have displayed in order to preserve Hong Kong's unique role seems extremely relevant and educative.

#### **China's Problem Economy 'Reflection' of USSR's**

*18120047A Moscow MOSCOW NEWS in English  
No 11, 25 Mar-1 Apr 90 p 12*

[Article by Vladimir Khalin, Economist: "China's Problem Economy—A Reflection of Our Own"]

[Text] China recently published a detailed account of the resolution "On further normalization of the economy, its regulation and the intensification of reform" adopted by the Central Committee of the Communist Party of China in late 1989. This resolution reinforces the serious changes outlined in the fall of 1988 which signified, in my opinion, a slowing down of the reform and a moving away from a market economy in favour of administrative regulation of economic processes.

While the resolution confirms the intention to "deepen" reforms, it assumes that the tasks of stabilizing the economy, balancing money circulation, the budget and controlling inflation can be handled by "intensifying Party leadership", by "rallying the Party and the entire people for... a concerted struggle", and by ensuring "the unity of thoughts and statements in the spirit of the CPC Central Committee's policy".

China's current problems in the course of reform are a function of objective difficulties as well as the erratic nature transformations when looking for ways to switch to an effective economy combining market and administrative mechanisms.

The attempt to build an economy where "half is regulated by the market and the other half by the plan" has

resulted in the fact that in China the financial position of an enterprise, of its director, staff and workers, depends only partly on how this enterprise meets consumer demands. Mostly it is determined by whether the higher administrative body will supply "its own" enterprise with raw materials at low, state, planned prices, by whether it will secure financial subsidies or bank credits on easy terms. In their turn, the departments and commercial companies attached to them hang onto scarce products put out by the enterprises controlled by the departments, and sell them at market prices.

The reform in China split up the administrative system into many local and departmental administrative systems. As a result the Centre's control over investments, banking and even financial systems became weaker and weaker. Instead of independent enterprises, there was absolute rule by local and departmental bodies virtually unchecked by economic and political responsibilities.

Only in late 1987, an agreement was reached at the 13th Congress of the CPC on the need to switch to a new integral economic mechanism so that "the state regulates the market, and the market directs the activity of enterprises". The concept of a "new public order corresponding to the principles of the commodity economy" was adopted later. This meant restructuring not only China's economy, but also its socio-economic life.

This reform meant raising prices, closing unprofitable enterprises, and differentiating people's incomes. Public opinion polls show that people do not want to make sacrifices for the sake of radical changes in the future. The prediction of a foremost Chinese economist is coming true. He said that the longer we postponed such unpopular but unavoidable measures, the harder and riskier they would be. In the mid 1988, China's former leaders tried to reform prices and wages which then meant reforming property and releasing enterprises from administrative control. But the result was a panic in the market, soaring prices and social tension.

Disproportions and imbalances, devoured the capital accumulated in the first years of the reform. The means which 4-5 years ago could have been used to lessen the undesirable socio-economic consequences of the new policy have already been spent on refrigerators and TVs (whose number in China, with its per capita income of 300 dollars a year, is equal to what it was in Japan when it had a per capita income of 1,000 dollars).

The CPC's resolution shows that China's government is now trying to strengthen its economy by increasing the rights of local authorities. Covert resistance of the latter is still hindering these attempts. Hence, the Centre's growing temptation to return to a centralized economy.

For several years now the reform in China has been negotiating a kind of "mountain pass". The road ahead will only get harder. The road back is a return to the old, which nobody wants but the delay in pushing forward is pulling the economy backward. Whatever the future holds for this great country, it won't be without conflicts.

### Shortcomings of Chinese Reform Assessed

90UF0044A Moscow PRAVITELSTAVENNYY VESTNIK in Russian No 12, Mar 90 p 10

[Article by Yu. Kalmykov, head of a department of the USSR State Planning Committee: "China: The Lessons of the Reform"]

[text] The economic reform was launched in the PRC more than 10 years ago. It provided for the introduction of market relations in the economy, the democratization of planning, and a narrowing of the sphere of centralization.

Without the slightest doubt, the reform promoted an acceleration of the country's social and economic development: During the years in question, the gross national product doubled, as did urban dwellers' earnings. Gross output increased an average of 12 percent a year in industry and 6.5 percent in agriculture. In terms of economic growth rates, China surpassed the world average approximately fourfold.

Those are the pluses. But the overall indicators that show a definite increase in the effectiveness of social production do not reveal the many dark aspects and consequences of the economic innovations. For example, the situation in the leading sectors—power engineering, the raw-material complex, transport and communications—remains difficult. Capacity in the processing industry is being underutilized for lack of energy and raw and other materials. Agriculture is still not meeting the processing industry's needs for raw materials. Purchases of certain foodstuffs abroad, including grain, are continuing. Capital construction has grown inordinately in scale.

The situation has worsened in the area of finance and monetary circulation. Consumption is increasing faster than production. The state budget deficit is growing. At the same time, provinces and enterprises have significant amounts of leftover funds, most of them attributable to material shortages. Prices and the amount of money in circulation are growing.

Precisely why have these and other negative phenomena arisen? To a considerable degree they are a result of the accelerated transition to market relations, the undue haste in reducing the realm of directive planning, and the desire to realize a rapid return from the reform. In fact, in 1978 the PRC State Planning Committee had planned more than 300 items, while in 1988 it planned just 60. The number of indicators assigned to enterprises by the State Planning Committee has decreased significantly. There was a marked drop in the percentage of centrally planned prices, including prices on producer goods.

The development of private and cooperative forms of ownership, the broadening of the provinces' economic and financial independence, the growth of noncentralized sources of accumulation, the decentralization of credit resources, and other measures to introduce market relations and changes in planning were not accompanied

by the formation of effective state regulators appropriate to these measures. The creation of highly important institutions, including a state tax service and price-control service, was very late in coming.

All these factors combined resulted in the appearance of unearned income and the exacerbation of localistic tendencies. The private and cooperative sectors monopolized retail trade and the circulation of goods. Massive tax evasion began, and distortions in supply and demand worsened where both producer goods and consumer goods are concerned.

The PRC economy began sliding toward crisis. Social relations worsened in society as a result of earnings-based stratification. Therefore, at the end of 1989 the CPC Central Committee and the PRC State Council enacted a number of countermeasures. In general terms, the measures call for rationalizing the national economy's branch structure, reducing the scale of capital construction, increasing the role of the state budget, bringing supply and demand into line, eliminating waste in the utilization of material, financial and credit resources, and setting foreign-economic activities to rights and making them more effective.

Stepped-up state regulation of economic life has been assigned an important place among the proposed measures. Henceforth, the introduction of the new management methods is to be closely tied to the state of development of productive forces, the revamping of the structure of production, the restoration of sound finances and sound monetary circulation, and the adoption of social-support measures for the public.

According to prevailing opinion among the leadership, there is no place for undue haste in carrying out the economic reform, or for attempts to achieve a rapid result. Caution and prudence are necessary in introducing its various components. Lessons have also been learned from the appearance of disproportions of one sort or another and from departures from the reform's stated goals. Plans call for making immediate corrections in the economic mechanism in cases of that sort—corrections up to and including the rescinding or temporary freezing of particular measures.

Solving the problem of plan and market has been made dependent on specific conditions, the time factor and the balance between supply and demand. In certain cases the plan and administrative measures can and must predominate, while in other cases it must be the market and economic methods. The plan plays the leading role in the basic industries. As for light industry, textiles, civilian machine-building, vegetable production, etc.—they can operate on market principles. The operation of the plan is severely limited in these areas.

The time factor means that at particular periods the relationship between plan and market can change. As the economic situation worsens, the role of the plan and plan-based levers will increase, and vice-versa. Where

the relationship between supply and demand is concerned, planned regulation will decline proportionately, as supplies increase. It is important to note that preference has been given to the plan in recent times: Efforts are now geared toward strengthening the state sector of the economy and bolstering state ownership.

The Chinese leadership is continuing its search for the optimal way to combine the interests of the center and the various localities. The provinces and regions have been granted extensive authority in the matter of forming their own financial base. Their relations with the center are being put on a normative basis. Those that have an excess of revenues over expenditures are given fixed norms for payments to the central budget, based on the results of their performance over the past five years.

What about the provinces that receive subsidies? They are also assigned fixed financial norms. Should they exceed their planned level of expenditures even counting the subsidy, then the province leadership assumes full responsibility for meeting the region's vital needs.

Various types of contracts are used to enhance the effectiveness of state enterprises, which account for 80 percent of budget revenues. They include the introduction of a system whereby directors assume responsibility for particular goals; they also include the leasing of enterprises on a competitive basis and their transfer, subject to a lien, on the same basis.

What does it mean for a director to assume responsibility for particular goals? It means that the director is selected on a competitive basis and that a contract is concluded with him that provides for the achievement, by the enterprise, of particular performance indicators. They include cost reductions and the achievement of a certain profit figure or a growth in profits. If the obligations are not met, the director is deprived not only of his bonuses and incentives but of 50 percent of his base salary as well. If the contract is not fulfilled in two years' time, the director is relieved of his position.

It is important to note that, under this system, party organizations have no right to interfere in current operations or with the director's decisions.

Title to medium-sized and small enterprises is transferred subject to a lien. The collective assumes responsibility for any damages that the state might suffer, including losses from production and financial operations. Compensation is paid for the damages out of a special risk-coverage fund that is formed out of the enterprise's revenues and deductions from employees' earnings.

Labor and production relations are also regulated. A contractual form of utilizing labor is also being introduced at enterprises. As of the beginning of 1990 it had already encompassed more than 10 million people. Half the enterprises in the public sector have adopted a "floating" method of forming the wage fund, whereby

the amount of money available for paying wages depends directly on enterprises' effectiveness.

Thus, an analysis of certain aspects of the economic reform being carried out by the PRC shows that it has entered a new stage of development. That stage is characterized by a strengthening of public forms of ownership, the search for harmonious ways of combining plan and market, and expansion of the scope of state regulation of social and economic processes.

### China's Struggle Against Corruption Detailed

90UF0060A Moscow *IZVESTIYA* in Russian 10 Apr 90  
Morning Edition p 5

[Article by *Izvestiya* correspondent Yu. Savenkov: "Mosquitoes and Tigers: How China Struggles With Corruption"]

[Text] Last year 31 persons were sentenced to death in China for bribery, embezzlement, and wastefulness. More than 3,000 received various prison sentences, and 21,000 are presently under arrest awaiting trial on charges of bribery and embezzlement.

Beijing—Public prosecution agencies are scheduled to examine more than 116 thousand cases in the category of economic crime—that is, twice as many as in 1988. Approximately 500 million yuan have been returned to the treasury. Next month procuracy organs will examine the cases of 36,000 persons who voluntarily turned themselves in last fall during the 7-week "amnesty period," which came to an end on 31 October. Three of these cases have yielded a million yuan apiece.

The war on corruption is receiving ever-increasing public support. A determination by authorities to put an end once and for all to this social evil was expressed in a report by the Procurator-General in a report by Liv Fushi, general procurator of the Supreme People's Procuracy, to a session of the Chinese National People's Congress a few days ago as well as in speeches by other delegates. The delegates further proposed to establish an oversight committee within the framework of the People's Congress, exercising supervisory control over officials holding the rank of minister and above.

This is not the first campaign against corruption in the history of the the PRC. In the early 1950's, there was a movement against the "three evils" (corruption, wastefulness, and bureaucratism). It was supplanted by a campaign "against the five vices" (bribery, tax evasion, theft of industrial property, contract fraud, and purloining economic secrets). In the 1980's the campaign against economic crime was intensified.

In the course of the reform, while the dismantling of the old bureaucratic system is in progress but the framework of the new system not yet in place, many loopholes have arisen that have been exploited by persons in power. This situation has given rise to the the phenomenon of "official racketeering." Various companies under the

direction of party, government, and even law enforcement departments illegally have come into possession of materials in short supply and sold them at exorbitant prices. The profits, instead of accruing to the treasury, have gone into the pockets of racketeers, operating often on the principle: "You have a right to check up on me, but I have a right that is even more operative—I can fire you."

In 1987 the gap between official and market price levels amounted to 20 percent of the national income. Who reaped the profits from this price gap? Those privileged by reason of their official positions. At that time three cures were proposed to treat this malady: (1) Insulate party and government bodies from business activities (anyone wishing to go into business should retire from government service); (2) eliminate the dual-price system for the means of production (the source of corruption and bribery); (3) pass the laws necessary and strictly abide by them (particularly, anti-monopoly legislation).

At the time of the events that took place in the spring and summer of last year, corruption was one of the social evils against which those participating in the student demonstrations were voicing their opposition.

What is the principal feature of the campaign that began right after the student agitations? More than anything else is the emphasis on its long-term character. Following the announcement of the confiscation of the luxurious six-story trade building that had just been built by the Ministry of Light Industry in the very center of Beijing, a correspondent of the Xinhua Agency recalled the words of Deng Xiaoping: "Our heritage is persistent labor, diligence, and thrift; but to inculcate these qualities, we need another 60-70 years."

A greater degree of emphasis upon the incompatibility of corruption and party morale is perhaps another of the particular features of this campaign. The newspapers are increasingly including coverage of the cases against communists who have been discharged from the party for fraudulent practices. Here is one such case. A veteran of the party with 52 years of service (who had become a party member at the time of the war with Japan), following his retirement on a pension, created three dummy companies to exploit his former connections with high-ranking officials. He was barred from the party, his companies disbanded, and the case turned over to enforcement authorities. (This brings to mind, incidentally, the experience of certain other countries in which officials, upon retirement, are not permitted to participate in commercial or financial affairs for a period of five years, while their influence on the minds of people is still felt to be in effect.) In its regular circular, the central commission for monitoring discipline has cited the need to learn lessons from this case, once again urging a categorical prohibition against party officials engaging in commerce or the founding of companies. The moral integrity of the ruling party—as a matter of life and death—is a theme that is increasingly being sounded in the mass media.

Another aspect is the effort being made to analyze the psychology of the corrupt official. In the newspaper NUNMIN ZHIBAO a commentator defined four principles tending to prevent overcoming corruption. First, some officials consider the power they have acquired their own private property: "Why should my conscience bother me if I receive a good that belongs to me?" Second, competition with people like one's self: "If one misses an opportunity, one's rival will take advantage of it." Third, unquestioning faith in one's success: "There is no risk, for no traces of the plot can be detected." Fourth, a conviction that it is physically impossible to call everybody to account: "Corruption is too widespread from top to bottom throughout society."

One additional dimension of the present campaign. Manifestations of particular concern to the public and in need of immediate attention were the focus of attention at a joint session of the PRC State Council and the CCP Central Committee. A proposal was made "to sift all the companies through a fine sieve," particularly the ones dealing in commerce, financial matters, and foreign trade, and to shut down companies that do not meet the needs of society, that duplicate the work of others, operate at a loss, or violate the law, etc. In conclusion, the State Council and the Central Committee demanded harsh penalties for corrupt officials in accordance with the principle that "all are equal before the law." This point attracted particular attention because there has long been a saying in China: "They kill the mosquitoes, but they are afraid to touch the tigers." Presumably, this is why high-ranking officials are now increasingly among those facing public exposure. A recent example is the removal of the deputy minister of railways for accepting bribes.

Another feature of the present campaign is the establishment of Anti-Corruption Information Centers. Reports of their operation are mixed. It has been reported, for example, that the overwhelming majority of people who divulge information about bribery and squandering remain anonymous; for they fear retribution. The newspapers carried a curious statistic about the operation of the Anti-Corruption Information Center in Nanking. Only 20 percent of the persons reporting instances of malfeasance did so for the sake of their collective or the state. The rest had personal motives.

Not long ago the newspaper CHINA DAILY reported a national survey that helped to clarify public attitudes regarding the anti-corruption drive. While supporting the efforts of the party and state, a good many have adopted a wait-and-see attitude that is often tinged with skepticism. The reasons? More than once on previous occasions campaigns have been launched against sumptuous banquets, purchases of elegant limousines, and the like, only to have everything return to the way it was before. Twenty percent of those surveyed believe that corruption will continue to exist regardless of the measures taken to prevent it. The rest take even a gloomier view. Sixty-six percent of those surveyed shared the

following opinion: "Thunder has been heard, but only the first drops of rain have fallen."

Observers assessing the opinion survey express the hope that, at last, the cleansing rain will come.

### Deng Xiaoping's Retirement, Contributions Discussed

90UF0042B Moscow *IZVESTIYA* in Russian  
24 Mar 90 Morning Edition p 4

[Article by Yu. Savenkov, correspondent (Beijing): "The Patriarch Retires"; passages in boldface as published]

[Text] The NPC session accepted **Deng Xiaoping's resignation from the office of chairman of the PRC Central Military Council.**

This was the patriarch's last official position. This spring item was the finale to the 85-year-old Chinese leader's journey down the tortuous road to retirement. Last November Deng was released from his duties as chairman of the CCP Central Committee Military Council at his request. Soon afterward, he told the Japanese guests he was receiving for the last time in an official capacity that his political career had come to an end. "Of course, it would be impolite to refuse meetings with old friends, but they will have to be unofficial meetings."

Deng Xiaoping first began expressing his wish to retire back in the early 1980's, when he proposed his reform of the state and party administrative system. It was based on collective leadership, the prevention of the excessive concentration of power, and the renunciation of appointments for life. This was a bold move. After all, the traditional political culture of China is based on the assumption that the welfare of the state depends not on the system, but on whether politicians are good or bad. For thousands of years the Chinese had been dreaming of "honest officials" and "enlightened rulers," the very idea of changing the political system of the upper echelons of government was blasphemy, and no one questioned the belief that "the quality of government depends on the quality of the individual."

According to an old Chinese proverb, "Haste begets error." This is why Deng's departure was so leisurely. He took careful steps, finding the safe ground. First the decision was made to establish the institution of advisers, as a place for veterans, and this was followed by Deng's decisive move when he asked not to be elected to the Central Committee at the 13th party congress. This was a signal to other veterans: The average age of the Politburo candidates and members elected at this congress was seven years younger than before.

Is Deng's political career over? Here is what he said about this: "If I have any good ideas, I will be happy to share them with the new leaders." He described Jiang Jemin, the present general secretary of the CCP Central

Committee, as "highly intellectual and more knowledgeable than himself, but not as experienced. But experience comes with practice." Listen to his other idea: "Our reform is still taking its first steps, it is carrying a heavy load, and the journey will be long. The road ahead will be a winding one." Observers took this to mean: "If difficulties should arise, I will not step aside until I am certain of the success of the reform."

Deng Xiaoping is also known unofficially as "the architect of the Chinese reform," and this has already become a cliche. Although the chronology of the reforms begins with December 1978, when the Central Committee plenum shifted the emphasis "from class struggle to modernization," I think that the years preceding this plenum were the decisive factor in Deng's political future.

When he returned from his last exile, after he had been accused of trying to restore capitalism, he came out fighting. The campaign known as "Experience Is the Criterion of the Truth" was in full swing. The country wanted to get its bearings after the tragic decade-long chaos of the Cultural Revolution, to throw off its dogmatic fetters, and to free the human mind. Deng resolutely opposed the theory of the "Two Absolutes": "Absolutely all of Mao's decisions must be defended staunchly, and absolutely all of Chairman Mao's instructions have to be carried out unconditionally." "If this theory is true," Deng said, "my rehabilitation was meaningless. There are no people who are absolutely right. If the country cannot or will not emerge from its pitiful state because it is trapped by dogma, even if life has proved that this has disastrous effects, it must face a sad and dangerous future."

This was the opinion expressed at that time by the people who wanted to find a way out of the impasse: The standard of living was dropping and production was deteriorating.

The Chinese reform began in the countryside. The instrument was the family contract. This is an axiom. People in our country, however, believe that the Chinese are so highly disciplined that when the party told them to institute the family contract, everything fell into place. This is not what really happened.

According to one version of the story, one of the first to suggest the experiment with the family contract was a 70-year-old peasant from Anhui Province. His son had come down with tuberculosis and could not feed his father. The father did not want to move to a retirement home and asked the commune authorities to assign him a plot of waste land where he could work while he took care of his sick son. He asked if he might keep the minimum requirement of the grain he raised for his family and then turn the rest over to the state. The authorities agreed. The peasant's idea worked, and soon this form of relations was instituted by most of the production brigades in the province. The land the peasants received was called "life-saving fields."

This is how Deng Xiaoping saw the family contract. At the beginning of the 1960's, during the years of the restoration of agricultural production, he was already saying: "We must choose the kind of method that will produce the best practical results." When the reform began at the end of the 1970's, the peasants chose this method.

Learning from the experience of the people was one of the features of the Chinese model of socialist construction Deng proposed. Deng the politician had another distinctive characteristic. Rejecting feudal dogma, he turned to the traditional values cherished by the people. The revival of the Confucian social utopia of "moderate universal prosperity" became, for example, a symbol that the initial stage of socialism had come to an end.

Another of Deng's ideas—"one country—two systems"—apparently dates back to the great united society of Chinese philosophical tradition. Deng proposed this as a basis for the restoration of China's sovereignty over Hong Kong and Macau and reunification with Taiwan.

Deng Xiaoping is leaving the political stage at a time of difficulties. The reform is faltering. The policy of destabilization has given rise to new problems, new concerns, and new priorities. Individualism, as a characteristic of the creative and enterprising individual, is coming into conflict with the group ethic. The political reform is slowing down. Some authoritarian methods are being revived, and some elements of the market economy are withering. The public is still distressed by the tragedy of last June. The student uprising, the attempts at dialogue, the shots fired at the crowd, and the grief for those who died.... Deng called these events a "counterrevolutionary riot." There are still conflicting views on Deng's own role in these events.

Someone once said that Deng is one of the few officials who always did more than he promised. Did the patriarch do everything? Many are convinced that his influence is not a result of the many titles he accumulated in his long career. It is all a matter of his prestige. It is precisely Deng's authority that still allows him to judge alternative ways of implementing the reform he began.

**Yelena Bonner Appeals for Release of Soviet POW's in Afghanistan**

18120046A Moscow MOSCOW NEWS in English  
No 11, 25 Mar-1 Apr 90 p 12

[Editorial by Yelena Bonner who donated her author's fee to the MN Relief Fund]

[Text] On 15 February it was a year since Soviet troops left the wounded and devastated land of Afghanistan. Soviet losses appear to be modest. Over 13,000 men have been officially reported killed and 300 missing in action.

But not a single martyrology has put it on record that a whole generation's faith in truth has been killed. The words "internationalist duty" were misused throughout the war. The Soviet soldiers who passed through Afghanistan were presented with little red books with these words on the cover: "To a soldier-internationalist from the grateful Afghan people." Grateful, for what? For the million people killed? For the five million refugees?

Ever since the first days of the war Sakharov took a stand against the Soviet invasion of Afghanistan. In his last year he was deeply concerned about the fate of prisoners of war. No one knows their exact number, but they exist on both sides.

Today Andrei Sakharov is no longer alive. But I call upon the mujaheddins who keep Soviet soldiers in captivity and the Kabul government which has captured our compatriots to exchange their prisoners of war. I appeal to them to accomplish this humane act in memory of a person who spoke out against the immoral and tragic Afghan war for nine long years, who defended the Afghan people and Soviet soldiers.

15 February 1990

I read this address at the Nobel Peace Prize Forum held in Minnesota, U.S.A. I also sent a copy to the Afghan mission in Washington and to Dubinin, the Soviet Ambassador in the United States. Later I managed to meet with representatives from the mujaheddins. There are now 10 Soviet POWs on the territory of one of their detachments. All are in sound health. They are from the European part of Russia plus one from Moldavia. The commander of this detachment of mujaheddins is ready for an exchange at any time, but he puts forward a

demand which has already been made by other commanders—that the list of prisoners of war held by the Afghan Government should be made public. According to their information, about 2,500 people are being detained in a Kabul prison. This number includes not only prisoners but also members of their families, or in plainer words—hostages. They have been charged with the standard accusation of having engaged in "activities against the state."

Following the publication of Kabul's lists the mujaheddins have agreed to publish lists of Soviet POWs and conduct specific talks on exchange. I believe that today, when there is much talk about normalizing the situation in Afghanistan and about the possible formation of a national coalition government, the mujaheddins' demands do not amount to anything exorbitant. And our government could ask the Kabul government to publish these lists.

The Soviet Army's invasion of Afghanistan has been condemned by a decision of the Congress of People's Deputies. But we must put an end to this iniquitous war once and for all. It cannot be considered finished while even one soldier is still held in captivity. The destiny of each one is on the conscience of the entire country.

[signed] Yelena Bonner

**Estonian-Israeli Friendship Society Established**

90P50005 Tallinn SOVETSKAYA ESTONIYA  
in Russian 7 Apr 90 p 1

[Article by P. Kaldoja: "The 'Estonia-Israel' Friendship Society Has Been Created"]

[Text] The founding conference of the independent "Estonia-Israel" Friendship Society took place on 5 April under the aegis of the Estonian Friendship Society. This new society should link us with the interesting state of Israel, whose inhabitants are showing obvious interest in the events taking place here. The society will certainly interest scholars, executives, doctors, and businessmen.

The conference participants adopted a charter and elected a governing board. The chairman is lawyer Leon Glinkman and the deputy chairman is Gideon Payinson. May Vyza from the Estonian Friendship Society was elected responsible secretary. At the next meeting the board will draw up a plan of work for the society.

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